OVERSIGHT ON THE SMALL BUSINESS LOAN PROGRAM FOR VETERANS

HEARINGS
BEFORE THE
SUBCOMMITTEE ON
EDUCATION, TRAINING AND EMPLOYMENT
OF THE
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OVERSIGHT ON THE SMALL BUSINESS LOAN PROGRAM FOR VETERANS

WEDNESDAY, MARCH 23, 1983

House of Representatives,
Subcommittee on Education,
Training and Employment,
Committee on Veterans Affairs,
Washington, D.C.

The subcommittee met, pursuant to notice, at 9:32 a.m., in room 334, Cannon House Office Building, Hon. Marvin Leath (chairman of the subcommittee) presiding.

Present: Representatives Leath, Evans, Richardson, Solomon, and Smith of Oregon.

OPENING STATEMENT OF CHAIRMAN LEATH

Mr. **Leath**. The subcommittee will come to order.

The Subcommittee on Education, Training and Employment is meeting today to hold an oversight hearing on the implementation of Public Law 93-237 enacted January 2, 1974.

Over 9 years ago, this act granted veterans special consideration in obtaining direct and guaranteed loans from the Small Business Administration.

After years of frustration with the failure of the SBA to comply with the mandate of Public Law 93-237, the Congress included in Public Law 97-72, the Veterans' Health Care, Training and Small Business Loan Act of 1981, a provision which established a $25 million business loan program in the Veterans' Administration for Vietnam era and disabled veterans. The VA, however, failed to request funding for this program, thereby ignoring the intent of Congress regarding this assistance for veterans.

The 97th Congress earmarked $25 million in the Small Business Administration budget specifically for direct loans for veterans, with an additional $3 million provided for outreach to veterans.

Although this committee preferred that the loan program be in the Veterans' Administration, we had finally captured the attention of the SBA, and believed that the program would now be properly implemented.

Then on February 1 of this year, the President transmitted to the Congress a proposed deferral of budget authority in the amount of $143 million for the business loan and investment fund of the Small Business Administration; $25 million of this amount was appropriated by Congress for direct loans for veterans. This deferral, which was disapproved by the House on March 10, would have had the effect once again of thwarting the efforts of this committee and the Congress to help veterans obtain loans to establish small businesses.

Clearly, we need to establish whether or not there is finally a commitment in the SBA to vigorously implement the $25 million loan program as well as the provisions of Public Law 93-237.

Veterans have waited too long for a meaningful program of small business loan assistance.

We have several witnesses testifying today and we welcome all of you. Before we recognize our first witness, I would like to recognize my colleague from New York, Mr. Solomon, for any comments he might have.

STATEMENT OF HON. GERALD B. H. SOLOMON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. SOLOMON. I thank the chairman. First of all, I would like to congratulate the chairman for being the new chairman of this subcommittee. It is certainly going to be a pleasure working with a great American like Congressman Leath.

Mr. Chairman, I may not be able to stay for the entire testimony this morning. You know, over in the Education and Labor Committee, there is a move on to repeal the Solomon amendment, which became law last year, which denies college loans and grants to young Americans who are in violation of the Draft Registration Act.

Although this is a terribly important issue that we are on here today, you can be assured that I am not going to let anybody repeal that bill that you and I voted for and that overwhelmingly passed this House.

Let me just say, this morning we will be looking into the veterans' access to Federal small business loans, an area in which this committee has expressed a great deal of interest and concern. This concern was wellfounded, in my opinion.

After repeated attempts throughout 1980 and even the beginning of 1981, we were unable to find any evidence that the Small Business Administration was fulfilling its statutory mandate to provide special consideration to our Nation's veterans in awarding small business loans.

This committee's frustration with the previous administration as well as even this administration, which I support strongly, culminated in our recommendation that a separate loan program be created within the Veterans' Administration despite the VA's lack of expertise in this area.

Although the VA program was never established, $25 million was made available, as our chairman has said, and earmarked funds within the SBA for veterans loans.

However, we will see today that the present administration has been working toward correcting the previously deplorable state of affairs in expediting veterans' access to SBA loan assistance. Even in the absence of this additional $25 million appropriation, the first 24 months of the present administration have brought about marked improvements in SBA attention to the special needs of our veteran entrepreneurs to the point where SBA figures show that nearly 23 percent of all SBA loans went to veteran applicants in the first quarter of fiscal year 1983, with Vietnam veterans receiving nearly 10 percent of the total number of SBA loans that were made.

Undoubtedly, there is still greater attention to be paid to the business needs of our veterans and that is one of the purposes of our hearing today, to review what further steps are now being implemented toward this end.

But we should also not fail this morning to take note of the marked progress that has recently been made and the new spirit of cooperation, I think, that exists between the SBA and the VA itself, where we had a problem, perhaps, in the past.

I look forward to receiving the detailed reports of our progress and needs this morning.

Thank you, Mr. Chairman.

Mr. LEATH. Thank you, Mr. Chairman. I certainly agree with you. I don't want anything to happen to your amendment so we understand if you leave, and knowing that you do as I always do—read the Record intently every night to catch up on what you missed. [Laughter.]

Our first witness this morning is Dorothy Starbuck, Chief Benefits Director for the VA. Dorothy, welcome to the committee.

Certainly, you have been here long enough to kind of know how we like to do these things.

We would appreciate it, since we do have a very serious debate on the floor today on the budget, if the witnesses would please summarize your testimony and we will certainly include for the record your complete statements.

We welcome you, Miss Starbuck.

STATEMENT OF DOROTHY L. STARBUCK, CHIEF BENEFITS DIRECTOR, VETERANS' ADMINISTRATION, ACCOMPANIED BY MR. JAMES KANE, ASSISTANT GENERAL COUNSEL AND MR. ROBERT O'TOOLE, DIRECTOR, LOAN GUARANTY SERVICE, VETERANS' ADMINISTRATION

Miss STARBUCK. Thank you very much, Mr. Chairman. I am pleased to be here this morning to discuss the VA actions with respect to the small business loan program which was authorized by the Veterans' Health Care, Training, and Small Business Loan Act of 1981.

In signing this measure, as you will recall, the President stated that he thought that this was a duplicative program and was being assigned to an agency in which no expertise existed and that he would look askance at any request to fund the program.

For that reason, no money has been appropriated to operate the program within the VA. The Small Business Act does mandate that the Administrator of SBA give specific consideration to veterans of the Armed Forces, and in fully implementing that requirement the veterans must receive the special consideration by small business.

To assure the attention of the Administrator, he appointed a National Task Force on Special Consideration for Veterans. In March of 1982 that task force submitted their recommendations to the Administrator of SBA which zeroed in on the program.

On May 14, the Administrator of SBA, Mr. Sanders, issued a statement directing specific action to be taken to implement the task force recommendations throughout the agency.

We have cooperated since that time with the Small Business Administration in implementing the recommendations of the task force. Specifically in our regional offices where we have loan guarantee activities, we have appointed a VA veterans-in-business coordinator. This is an add-on duty to personnel already onboard.

We are having these individuals attend, wherever possible, the veterans-in-business coordinator meetings and they are meeting with their counterparts in the SBA agency. As our people in the VA get more training and more experience through attendance at SBA-sponsored resource conferences and meetings with their counterparts in SBA, we will be able to be of greater assistance to veterans who are seeking small business loans.

SBA has also established an Office of Veterans Business Affairs and we have liaison with that office. We do support SBA's efforts and we believe that the total implementation of the recommendations of that task force will provide meaningful assistance and priority in veterans obtaining business loan funding.

This is, in our opinion, a practical option for management of a veterans program by an agency that has experience in Small Business Administration. The current Administrator of SBA, Mr. Sanders, has demonstrated to us, and I am sure, to you, a total commitment to veterans issues and the positive steps that he has taken to implement this program will provide special consideration to veterans.

We have ongoing meetings with SBA. We, in fact, met with them as recently as yesterday in implementing this new authority and the money that has been made available. The $25 million in direct loan funds which have been appropriated are the subject of meetings between the VA and the SBA so that we can work together in implementing the program so that response to the needs of veterans can be met.

Mr. Chairman, this concludes the summary of my statement. I would be very happy to answer any questions you might have.

[The prepared statement of Miss Starbuck appears on p. 33.]

Mr. Leath. Thank you, Miss Starbuck. As you know, the Congress intended that the small business loan program be in your agency. We know that you have great expertise in carrying out the home loan guarantee programs, that you do make direct loans to certain veterans.

While business loans, of course, are not the same as residential loans, you, nevertheless, have an experienced staff in place in the lending business. This is one of the reasons that Congress intended that the small business loan program would be handled by the VA. I would suppose that the VA would need probably some additional personnel to administer the small business loan program that was contemplated by Public Law 97-72.

Do you have any idea how many additional personnel might be needed to do this if it were in the agency?

Miss Starbuck. We have not really made an estimate of the personnel that would be needed. As I mentioned, the liaison work in our regional offices is add on duty for personnel who are there. Certainly, it would require, were we to get the loan programs in the VA, that we obtain expertise in small business underwriting.

I wouldn't want to say that the people we have couldn't learn small business underwriting, but it would be necessary, to implement the program, to get some expertise on board.

Mr. Leath. Mr. Solomon?

Mr. Solomon. Miss Starbuck, are you satisfied that efforts are being made at the VA and the SBA to implement the task force recommendations?

Miss Starbuck. Yes, I am. I think that the conversations that we have had with SBA have been very fruitful. We do have some problems in perhaps identifying the population with which we will be dealing and we are very hopeful in the Veterans' Administration that we will be able to work out an agreement with the Small Business Administrator that we will be able to have a tracking system that will tell us how many veterans have either made an initial contact with SBA or who have gone through the Veterans' Administration for referral to SBA so that we can really get a picture of how many of them made contact, how many of them have been given loans and how many have been refused loans and perhaps the reasons therefor.

Mr. Solomon. How would you characterize your understanding of the role of the newly created Office of Veterans' Affairs within the SBA?

Miss Starbuck. I would see that individual as having the role of an advocate for the veteran entrepreneur. I think that is the approach that will be taken. We are very confident that the Administrator of the SBA is very serious and sincere in his direction to the agency.

Mr. Solomon. That was the intent of this committee. I am glad to hear you say that.

Miss Starbuck, how far along are we at the moment in naming veterans-in-business coordinators at the VA regional offices throughout the country?

Miss Starbuck. They have all been designated in the 50 regional offices where we have loan guarantee divisions.

Mr. Solomon. They have all been named.

Miss Starbuck. They have been designated. They have been in contact with their SBA counterparts and are running, I guess, what you would call, a familiarization course.

Mr. Solomon. Could you elaborate a little bit on your view as far as the role of these coordinators with respect to regional SBA loan offices when this program is fully implemented? In other words, are they qualified now?

Miss Starbuck. They are.

Mr. Solomon. Do they know what they are doing?

Miss Starbuck. Yes, sir; they do.

Basically, the responsibility is to know that in the local SBA office there is a counterpart to whom the individual can be specifically referred for consult on a small business loan.

Mr. **Solomon**. Miss Starbuck, I think this committee and I know the chairman and myself would appreciate—not only appreciate, but we demand that you keep a close eye on this, because we want this program to work and we want it to work now, not a year from now. And we would appreciate it if you would keep in close contact with the committee, keep a good eye on it yourself, because we want the program to work.

Miss **Starbuck**. We want it to work, too, Mr. Solomon, and I think the reason I have mentioned this tracking system is that if we and you and the SBA Administrator are not satisfied that it is working or not working, then I think we need to take another look at it and that would be our principal reason for establishing a tracking system on actually how much money is expended and how many loans are granted.

Mr. **Solomon**. Thank you very much. I don't have any further questions.

Mr. **Leath**. Thank you, Miss Starbuck. We appreciate it.

Our next witness is Mr. Heriberto Herrera, Deputy Administrator of the SBA, accompanied by Mr. Marshall Parker, Associate Deputy Administrator.

Mr. Herrera, we welcome you to the committee.

Mr. **Herrera**. Mr. Chairman, thank you so much.

Mr. **Leath**. You may proceed when you are ready.

Mr. **Herrera**. Thank you.

STATEMENT OF MR. HERIBERTO HERRERA, DEPUTY ADMINISTRATOR, SMALL BUSINESS ADMINISTRATION, ACCOMPANIED BY MARSHALL J. PARKER, ASSOCIATE DEPUTY ADMINISTRATOR, SMALL BUSINESS ADMINISTRATION

Mr. **Herrera**. I do have a statement, Mr. Chairman, that I would like to read for the record.

Mr. Chairman and members of the subcommittee, I appreciate the opportunity to appear before you today to discuss the current status of the Small Business Administration's implementation of Public Law 93-237, as it pertains to veterans, to report on several areas in which the agency proposes to spend the funds appropriated by the Congress for outreach to Vietnam-era veterans and disabled veterans, and remark on the small business loan program for Vietnam-era and disabled veterans.

We have had many positive results since March 31, 1981. The hearings before the Subcommittee on Special Investigations, Committee on Veterans' Affairs, concluded with Chairman Montgomery's suggestion that we consider the recommendation made by the American Legion that a task force be established to define "special consideration" and mutually agree on areas toward which the SBA would direct its efforts.

Following the chairman's suggestion, we created the Task Force on Special Consideration for Veterans. Representatives from the American Legion, the Vietnam Veterans of America, the Paralyzed Veterans of America, Disabled American Veterans, Veterans of Foreign Wars, Blinded Veterans Association and the Vietnam Veterans Foundation consented to serve on the task force, along with the SBA top program managers and observers from the Veterans'

Administration, the Department of Labor and ACTION. Frank S. Swain, SBA's Chief Counsel for Advocacy, chaired the general meetings of the task force, and in March 1982 submitted the recommendations of the task force to the Administrator, Mr. Jim Sanders.

On May 14, 1982, the SBA Administrator issued a policy statement on special consideration for veterans. This policy statement and the recommendations of the task force established the foundation for our renewed program of assistance to veterans.

Here are the principal areas where actions have already taken place or are in the process of being implemented:

First, the Office of Veterans' Affairs was established and is currently staffed with a Director, Stephen Mollett, a Vietnam veteran, two professional assistants who also are veterans, and two clerical employees. This Office reports directly to the Associate Deputy Administrator for Special Programs, Marshall J. Parker.

Second, district and regional offices were directed in our May policy statement to provide for veterans priority in the processing and funding of loan applications. Just last week, at the national district directors meeting, we again emphasized this policy and our strong commitment to veterans.

Third, in addition to regular management assistance and business training for veterans, SBA scheduled six pilot special business training projects. The locations, chosen with the advice of the task force were: San Francisco, Denver, Minneapolis, Dallas, Columbus and New York. The San Francisco, Minneapolis and Denver seminars have already taken place. The other seminars are scheduled as follows: Dallas, March 25–26, 1983; Columbus, March 26, 1983; and New York, May 23–24 of this year.

These pilot conferences are sponsored with the local veterans community and our purpose is to sharpen the working relationship between veterans and SBA, and develop training programs for veterans that focuses on special interests and business needs.

The SBA has entered into various contracts for assistance in the development of the veteran business training seminars.

I have provided the information on the contracts that we are presently involved in. An outgrowth of the San Francisco project was the establishment of the veteran business resource councils. The veteran business resource councils are intended to be semi-independent, nonprofit organizations. Membership will be representative of the local veteran community and will function as partners with SBA in addressing veterans' needs.

We anticipate that local veteran business resource councils will be valuable entities working side by side with SBA to assist veterans, especially Vietnam-era and disabled veterans. We have recommended that these councils be established in each of the pilot locations and have issued interim guidelines to each of the directors.

In addition to these pilots, we will carry this training and information program to at least 30 other locations around the country over the next 18 months.

Fourth, the Office of Public Communications developed a videotape from the San Francisco session. This film contains the comments and observations of representatives of the American Legion, the Veterans of Foreign Wars and the Vietnam Veterans of America. These organizations lent their support, attended and volunteered their onsite service to make this effort a success.

Mr. Chairman, we would like to thank publicly these organizations for their help. We believe this demonstrates a true partnership between these organizations and the SBA. We are proud of this film and this new beginning. We have directed that this film be shown to all regional and district employees as part of our orientation and sensitivity training regarding veterans.

We have also made it available to local and national veterans organizations.

Fifth, the Office of Veterans Affairs has issued a veterans handbook to explain the SBA program to veterans.[1] Work is underway to improve and update this handbook. We expect to distribute several thousand copies to veteran organizations. We are also going to update our Veterans Affairs Officer's Handbook and develop a manual for the use of agencies and organizations with a need for indepth information on SBA programs for veterans.

Sixth, regional administrators and district directors are charged with the delivery of services to veterans. The policy statement not only makes this clear but also requires them to appoint a veteran affairs officer to be the contact point and advocate for veterans in their community. This has been done. There are 88 officials now appointed to these duties. These VAO's are veterans and professional level SBA staff. SBA has just concluded a meeting of the district directors, March 15–17, 1983, at which the new dimensions of the program were emphasized, including outreach and the veterans business loan program, as a national priority of SBA. Furthermore, we will be conducting intensive training sessions for these officers in the next few months.

Seventh, arrangements have been completed between the Office of Veterans' Affairs and the Office of Administration for a statistical base to enable the Office of Veterans' Affairs to do a better job in evaluating SBA's services to veterans in several program areas. This system will be refined during the coming months to increase its usefulness. Also, part of our plan is to conduct some short studies and data collection on veterans in business.

I think it is significant to note that the during the first quarter of fiscal year 1983, 22 percent of SBA loan dollars went to veterans. Over $47 million in loans were made to 409 Vietnam veterans and $57.8 million to 458 veterans of other than the Vietnam era.

The statistics clearly demonstrate that the share of total SBA loan dollars to veterans has increased from 12.2 percent in 1980 to 21.9 percent in 1982. The share of Vietnam veterans' loan dollars has risen from 4.6 percent to 9.7 percent in 1982. In the first quarter of fiscal year 1983, 10 percent of SBA's loan dollars went to Vietnam veterans.

In evaluating these statistics one must remember that SBA loans are not grants or entitlements. All applicants including veterans must meet business loan criteria in order to qualify for financial assistance. The criteria, which are statutorily imposed, are expressed by the Congress in the sentence: "All loans made should be of such sound value or so secured as reasonably to assure repayment."

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[1] See p. 60.

Three million dollars were included in the SBA fiscal year 1983 budget for an outreach program for disabled and Vietnam-era veterans, in accordance with the provisions of Public Law 93-237. The SBA proposes to use these funds to implement the recommendations of the Task Force on Special Consideration of Veterans.

The budget to implement these programs totaled $1,390,000 and is broken out as funding for the Office of Veterans' Affairs, $290,000; the veteran business seminars, $650,000; the training of the SBA's veterans affairs officers, $100,000; and $350,000 for studies publications and other program-related materials.

In addition to the original task force recommendations which were mentioned earlier, the task force members have also been helpful in shaping this outreach effort and they have given specific suggestions, most of which are incorporated in this activity. We have included with our testimony a summary of activity on each of the 29 task force recommendations and how they relate to the outreach funds provided.[1]

On March 10, 1983, the House of Representatives rejected the proposed deferral of funds authorized for SBA direct loans. This made $25 million available for the veterans' small business loan program. In order to begin the immediate implementation of this program, the SBA conferred directly with the Congress with reference to using the SBA 7(a) loan program as the model for the program that the Congress intended.

Thus, beginning with what we considered to be the mandate of the Congress and the veteran service organizations we first notified the field offices that direct funds were available and that the veterans' small business loan program had been funded; and second, we drafted a program factsheet which was hand delivered to each of the district directors at their national meeting on Tuesday, March 15, of this year.

Mr. Chairman, we are proud that we could fashion guidelines and implement this significant program in so short a timeframe.

The program is a loan program. The applicants must apply first to the banks and must be turned down before we can make them a loan. Since these are loans and not grants or entitlements, the applicants must demonstrate that they can repay the loan and must have equity in the business.

The interest rate is based on the SBA 7(a) interest rate formula, 11¾ percent, as of April 1, 1983. We have attached the veterans' small business loan program factsheet which has also been made available to inquirers about the program.

We mentioned earlier that other Federal agencies cooperated in the task force deliberations. They served on its subcommittees and helped shape our current direction. The Veterans' Administration has designated veterans-in-business coordinators in their field offices to work with local SBA staff on individual veteran referrals. Also, Veterans' Administration, Department of Labor, ACTION, Department of Defense, and others are participating in the veteran business resource councils where these have been organized.

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[1] See p. 48.

We expect to continue to improve upon these relationships where we jointly bring our resources to bear on the needs of veteran entrepreneurs.

Mr. Chairman, these activities I have just described represent a sincere effort to respond to the needs of veterans. Our relationship with the national veterans service organizations is becoming more and more a relationship of mutual understanding, planning, and partnership. We are receiving the cooperation of the Veterans' Administration, ACTION, and the Department of Labor, and their suggestions and recommendations are beneficial.

We believe that we have begun a new era. We are admittedly just gaining momentum, and with this new spirit of cooperation which we are experiencing with the veterans organizations, other agencies, and the Congress. We will meet the challenges and serve this Nation's deserving veterans.

SBA is deeply committed to providing its services and assistance to veterans with particular emphasis on disabled and Vietnam-era veterans. Also, we believe that the program we have just outlined provides a much needed and carefully constructed approach for assisting veterans in business. The funds provided by the Congress for this fiscal year will, wherever possible and prudent, be utilized to carry out the objectives outlined in our testimony.

Mr. Chairman, this concludes my prepared statement. I will be very pleased to answer any questions you may have at this time.

[The prepared statement of Mr. Herrera appears on p. 37.]

Mr. LEATH. Thank you, Mr. Herrera. I understand that the film that you refer to is an excellent film. I am sorry that we couldn't make arrangements to have it shown here this morning, but I hope you will understand the problems of trying to get this room. We do intend though in the future to coordinate with you and make arrangements so that the staff and the Members that would like to have an opportunity to view it get that chance.

On page 3 of your testimony, you state that, "In May, district and regional directors were directed to provide the veteran priority in the processing and funding of loan applications." By this do you mean a clear preference for veterans ahead of nonveterans?

Mr. HERRERA. Yes, sir, there is a clear preference to veterans, especially the Vietnam-era veteran. The way we have set this up is that on a daily basis, as loan applications come in, priority is given to veterans.

Mr. LEATH. Is it clear to the SBA that the $25 million appropriation made last year for direct loans to veterans is to be considered as additional resources; that is, that veterans will continue to be granted loans from other funds as well on a preference basis?

Mr. HERRERA. Absolutely.

Mr. LEATH. Mr. Solomon?

Mr. SOLOMON. Mr. Herrera, let me say at the outset that I am extremely pleased with the steps you have taken so far. We still have a long way to go to improve veterans' access to SBA loans. However the statistical figures contained in your prepared testimony, I think, reflect a long overdue sensitivity to the business needs of our veterans population.

I am particularly pleased with the veterans handbook [1] which you have published which I believe will go a long way toward alerting our veterans to the programs of the SBA for their benefit. I think we would all like to see these veteran figures grow even more in the near future. But you have made a very good start in this direction.

I would first like to ask you to describe for me your understanding of the role of the Office of Veterans' Affairs within the SBA as well as your own view of the role of the veterans affairs officers at the SBA at the regional offices, as I asked Miss. Starbuck.

Mr. **Herrera**. Certainly. I think first of all in terms of the office itself in Washington, it is very much the role of an advocate, as well as a coordinator, to insure that all of these points that were outlined in my testimony today are implemented and to make sure that, as we go through these steps, that the information that we derive from these seminars and other areas that we are—the loan program and so forth—that we look at this information, evaluate it to insure that we are operating this program as efficiently as possible.

In terms of our field offices, our district directors are the administrator's representatives in the field. They are very strong in their commitment as advocates for this program, in terms of getting the word out, the outreach effort out to the community, in terms of what is available to veterans, and insuring that their loan officers are complying with the directives that we have sent out from this central office.

Mr. **Solomon**. I am glad to hear you say that, because this program is extremely important, but it is not a large program and sometimes in the overall context of the whole SBA operation, what we are afraid of is that it won't get the proper attention. And as I told Miss Starbuck, we want that program to work, even though it is just a newly implemented,small program.

We want you to concentrate on it and we want you to keep in touch with us and let us know that it is working. We want to see those figures grow.

I noted your detailed analysis of the progress being made toward the implementation of the task force recommendations. Would you just briefly describe for us any of these recommendations which are presenting particular difficulties for you in implementation. Are there any difficulties?

Mr. **Herrera**. All of these recommendations, Congressman, are proceeding fairly smoothly. We are not encountering any problems at this time in implementing these.

Mr. **Solomon**. Thank you. I have no further questions, Mr. Chairman.

Mr. **Leath**. Without objection, I request that the policy statement by Small Business Administrator Sanders, dated May 14, 1982, and entitled "Special Consideration for Veterans of the Armed Forces " be made a part of the hearing record following Mr. Herrera's remarks.[2]

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[1] See p. 60.

[2] See p. 68.

Mr. **Leath**. Mr. Herrera and Mr. Parker, thank you. We appreciate the obvious concern that you are showing for this and we hope that your enthusiasm will continue to build for it. Thank you very much.

Mr. **Herrera**. Thank you.

Mr. **Leath**. Our next witness is Mr. Paul Egan, assistant director of the national legislative commission, the American Legion.

We welcome you gentlemen. As you know, we would appreciate a summary of your testimony and, of course, we will include the entire statement in the record.

STATEMENT OF PAUL S. EGAN, DEPUTY DIRECTOR, NATIONAL LEGISLATIVE COMMISSION, THE AMERICAN LEGION AND JAMES G. BOURIE, DIRECTOR, NATIONAL ECONOMICS COMMISSION, THE AMERICAN LEGION

Mr. **Egan**. Thank you, Mr. Chairman. Jim Bourie here, the director of our economics division, will summarize our remarks. He has been intimately associated with the joint efforts between the veterans' organizations, the American Legion, specifically, and the SBA over the last several months.

I would just simply say, before introducing Jim, that we are very pleased to see that there is some cooperation in a monitoring mechanism established between VA and SBA and that's especially important, I think, recognizing that, at the current time, unemployment levels for veterans, being what they are, if most new jobs are established in the private sector by small business, then indeed, SBA should move ahead as quickly as possible.

Mr. **Bourie**. Mr. Chairman, members of the subcommittee, the American Legion wishes to thank you for allowing us this time to present its views on the SBA veterans program. Pertinent documentation is attached to our statement with a request that it be part of the record.[1]

The American Legion's involvement in SBA veteran affairs dates back to 1969 when the Legion was successful in urging the Administrator to provide programs to veterans, especially returning Vietnam veterans. This urging led to a field memo that all SBA programs and policies would be "loosely interpreted" for veterans. However, over the subsequent years, the Legion watched in frustration while the SBA provided no "loose interpretation" of programs and policies for veterans. This failure led the American Legion to mount a campaign in Congress to mandate a veteran program. This action resulted in special consideration for veterans in the Small Business Act of 1974. However, the SBA provided veterans with no special consideration. Veterans were treated like everyone else.

What the SBA did accomplish in 1980, nonetheless was the scheduling of 100 nationwide veteran workshops and solicited the assistance of the American Legion. Working with the agency, the Legion sponsored over 20 percent of these veteran workshops, more than any veteran organization or group.

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[1] See p. 106.

Although we considered the workshops as a mere beginning, we were indeed surprised by the veteran participation, anxious to know more about SBA programs. The American Legion construed this veteran participation as a mandate to pursue an even greater veteran program with the agency.

With the change of administrations in 1981, we continued our dialog with agency officials to keep the veterans program impetus alive. During these discussions agency officials remained open to our suggestions and recommendations and desired also to build a better veterans program.

In March 1981, the House Veterans' Affairs Committee held oversight hearings to review the agency's veterans programs and it was abundantly clear from agency testimony that little or nothing was being done to implement special consideration. The American Legion also testified and recommended the 90-day veterans task force be established to thoroughly review the agency's mandate. By way of Chairman Montgomery, the SBA accepted that recommendation.

Representatives of at least six veterans organizations were invited as well as representatives of other Federal agencies, the Senate Small Business Committee and top SBA officials. The task force formed working groups in each major agency area.

The work of the task force far exceeded the original 90-day limit. The American Legion participated in all subcommittee discussions and we were impressed with the manner in which all officials assumed their duties and responsibilities.

The work of the task force was concluded in early 1982 with approximately 25 substantive recommendations which, in our view, covered all SBA programs, as well as policies. And without prolonged delay, Mr. Jim Sanders, the new Administrator signed into effect the first-ever SBA policy statement on veterans on May 15, 1982. To the American Legion, this was indeed significant, as it placed the SBA on record to implement a well-designed and specific veteran program, many staff resources and energies.

But, Mr. Chairman, the true task lies before them, whether the veteran program will enjoy such visibility in the time to come. We think it will, at least for the foreseeable future. The SBA has already begun to move aggressively in many areas: establishment of a permanent veterans office, appointment of VAO's in all regional and district offices; distribution of new veterans pamphlets; PR and PIO efforts; veterans affairs officers training seminars planned; greater linkages and cooperation with veterans organizations and the planning and implementation of at least eight special veteran demonstration projects.

Mr. Chairman, the veteran program is on firm footing, but it is in a building phase, and like all new programs, it needs time to mature and grow. We do, however, have some concerns. We are acutely aware that the fledgling veteran program is created by administrative fiat and, thus, could be terminated at a moment's notice. We do not, under any circumstances, expect this, but it is a reality.

Therefore, the American Legion may propose, at a future point, amending the Small Business Act to clearly articulate a veterans program.

We are also aware that many of the SBA's veterans efforts are funded from the $3 million that Congress provided to it earmarked for "veteran outreach" in fiscal 1983. Veteran program funding will also be needed in fiscal 1984 and perhaps beyond specifically targeted for veterans and wish to add at this point that we want to see it remain in the SBA, specifically designed or targeted for veteran outreach efforts.

We further recommend to this subcommittee that regular oversight hearings be held on the SBA's veterans program progress.

Mr. Chairman, that concludes a summary of my testimony. However, I would like to add that I attended the SBA's demonstration project in San Francisco as well as Denver and I was very impressed, especially in Denver. We had a snowstorm that day and had close to 200 veterans turn out. One Vietnam veteran drove all the way from El Paso the night before. One came from Grand Junction across the mountains, and it is my understanding that he was the last car to get through some pass up there.

But the enthusiasm for this was tremendous. It was an excellent, excellent program. As a sidenote, the State director for veterans employment, Warren Hutchings, was there and by the end of the day he had commitments from veteran small business owners for 25 veterans.

So I wrote Mr. Plowden telling him to get involved in these future demonstration projects because not only were veterans interested in owning their own business, but those that do indeed own their own businesses are looking for veterans, and especially with the targeted jobs tax credit, there is a very logical and real tie-in.

I think the SBA's program has made excellent progress, but, again, it is a new program and we have got to work out the rough edges. I think in my testimony that I pointed out that in our long years of involvement they really have made some excellent progress in their veterans programs.

Thank you very much, Mr. Chairman.

[The prepared statement of Mr. Bourie appears on p. 99.]

Mr. LEATH. Thank you very much. That is encouraging to hear. There has been a long-held position by the major veterans organizations, however, that all veterans programs should be administered by the Veterans' Administration. This carries out, of course, the one-stop agency concept where a veteran can receive information and assistance on all benefits that Congress has made available specifically for veterans.

While the administration has not asked for funds for Public Law 97-72, did your organization make any efforts to have the VA implement that law?

Mr. EGAN. Mr. Chairman, as far as encouraging the VA to implement the law, that's one thing, but I can tell you that last fall we supported the addition of $25 million to the HUD-Independent Agencies Appropriation. That amendment was receded from because of an apparent agreement between, I think it was Mr. Daschle who offered that amendment, and the chairman of the Commerce-Justice Appropriations Committee that $25 million would be added to that appropriation.

We supported the addition to the VA budget, but we had nothing to do with the final outcome.

Mr. LEATH. I take it then, Jim, from your testimony and the seminars that you have attended and so forth that you are somewhat convinced, at least at this point, that the SBA has finally decided that they are, indeed, going to implement the desires of the Congress to try to make this the viable program that we all know it can be.

Mr. BOURIE. Absolutely. Mr. Chairman, the American Legion has been involved in the demonstration projects. I got reports from Minneapolis which are attached to my statement. Our people sponsored the program out in Denver as well as the VFW; San Francisco, New York. We are out in the field there working very closely together.

As I said earlier, there are some rough edges, but nothing that is going to be fatal or insurmountable to the program. It is a new program. The SBA has never really had a veterans program and on balance, we could take a look at the Department of Labor's Veterans Employment Service, which goes back 50 years. Does that work well? These are the same questions that could be raised.

But, I think, on balance, that they have made excellent progress and the American Legion is going to stay with them in a partnership.

Mr. LEATH. I think that is vitally important. I think that in view of the fact that we are dealing with extremely limited funding at this point and we all recognize that the program is new and that it is nowhere in the relationship fundingwise as to what we would like to see it, that your participation and the participation of all the veterans organizations is absolutely essential to make the program work. So I am delighted to see that you are very much involved in it to that extent.

Mr. EGAN. Mr. Chairman, may I just make one remark?

You raised the point about limited funding and that certainly is true. You raised the point about making VA the one-stop agency, and there is much to recommend that idea. However, I think we would be making a mistake, if we fail to recognize that some of these other agencies have some functions that veterans can take advantage of, and those, of course, are in the Department of Labor and SBA as well. Certainly, a maximum amount of cooperation between those agencies, and to some extent, the sharing of responsibilities, is, in our view, reasonable.

Mr. LEATH. Mr. Solomon?

Mr. SOLOMON. First of all, let me commend both of you. I have been a member of the American Legion for 30 years and you two gentlemen do a tremendous job.

Mr. EGAN. Thank you.

Mr. SOLOMON. Those of us who belong to the American Legion——

Mr. LEATH. He joined when he was 3. [Laughter.]

Mr. SOLOMON. Let me just say that we have all been aware of the important role that the American Legion has played in promoting congressional awareness of the problems facing our veterans with respect to SBA loan programs and your organization has done an outstanding job in this area and your testimony to me is very encouraging. I just want to assure you that, as a member of the Oversight and Investigations Subcommittee, and I know I can speak for "Sonny" Montgomery as well, we are going to keep an eye on it and we are happy, too, that the tracking system has been set up and we are going to closely follow it and would appreciate any feedback that you have along that area.

And I take it, in your participation in those pilot programs, most of the feedback has been positive?

Mr. BOURIE. Oh, very definitely. I was surprised actually because I sent the word out to all of our departments and they, in turn, would notify their posts—as you know, we have 16,000 posts scattered around the country. There is a turnabout out in the field and I was most encouraged and surprised. But, that, I think, is due to a lot of work that went on here in Washington between Congress, especially this subcommittee and the full committee, the SBA and the major veterans' organizations in working together.

No, we don't mean to paint an exceptionally rosy picture, but I think we are on the right road and we are heading in the right direction.

Mr. SOLOMON. That is just great news and let's just keep it going that way.

Mr. BOURIE. Well, that's what we are hoping for. We want to keep it going that way. No doubt about it. No doubt about it.

Mr. SOLOMON. Mr. Chairman, I just have one final question.

Would you just care to comment on—are there any comments or recommendations you have with respect to the plans of veterans affairs officers at the SBA regional offices?

Mr. BOURIE. That was a consideration of one of the subcommittees of the task force, whether there should be a separately identified veterans affairs officer devoting 100 percent of his or her time and energies to that work, or should they wear two hats. We went around and around and around on that and the end result on that thing was, I believe, that they would have these identified individuals wear two hats because of the budget and personnel ceilings imposed on the agency that they could not simply carve out new responsibilities—not new responsibilities, but new jobs, so to speak, for the veterans affairs officers.

We did have some concern over that, but the reports that I am getting back indicate that it seems to be working pretty well. One of the problems that we have identified over time is identifying the Veterans Affairs Officer because they do change.

We also encouraged the SBA to publish posters to put into every SBA office saying, "If you are a veteran, you need to talk to so-and-so. He is the veterans affairs officer". One identified individual in the SBA office at either the regional level or the district level, I think would satisfy the American Legion.

But, again, identifying that individual and informing that the veterans that that person is indeed the veterans affairs officers by post or something so that they won't get the runaround which we have encountered in the past.

Mr. SOLOMON. I think all of us are concerned about the two-hat situation. We do have fiscal restraints. We know that. But I think we just have to keep a very close eye on it and make sure the two-hat concept is working.

Mr. **Bourie**. Yes, indeed.

Mr. **Solomon**. We appreciate your testimony.

Mr. **Bourie**. Thank you very much.

Mr. **Leath**. Thank you very much, Paul and Jim, for an excellent testimony.

Mr. **Egan**. Thank you, Mr. Chairman.

Mr. **Leath**. I would like the record to show that the the Chair and perhaps the other Members and staff will probably want to submit questions for the record to all the witnesses.

Our next witness is Mr. Thomas Wincek, Chairman of the Vietnam Foundation.

Gentleman, welcome. We invite you to summarize your testimony and we will, of course, enter your entire statement in the record. You may proceed, Mr. Wincek.

STATEMENT OF THOMAS WINCEK, CHAIRMAN, VIETNAM VETERANS FOUNDATION, ACCOMPAINED BY ROBERT SNIFFEN, EXECUTIVE VICE CHAIRMAN; AND J. THOMAS BURCH, JR., GENERAL COUNSEL TO THE FOUNDATION

Mr. **Wincek**. My name is Tom Wincek. I am chairman of the Vietnam Veterans Foundation. Accompanying me this morning on my right is Robert Sniffen, executive vice chairman of the Foundation. On my left is Mr. Thomas Burch who is the general counsel of the Vietnam Veterans Foundation.

Mr. Chairman, listening to the previous testimonies of the SBA, the Veterans' Administration and the American Legion, who, in a sense, gave some of the positive things that are going on with SBA in their new initiative, I would like to point out a number of things that do have us concerned as far as, how do we actually measure the ability of the SBA to be really delivering services to Vietnam veterans.

If I may, I would like to refer to the SBA's testimony and specifically to page 7 of that testimony that goes into the performance of the Small Business Administration as far as how many loans they have been giving out to veterans.

On page 7 of the testimony of the SBA this morning, it shows that in 1980, there were 1,933 loans given to Vietnam veterans. In 1981, there were 2,319 loans given out to Vietnam veterans. Since the new initiatives and programs that have started in the SBA over a year ago—and, Mr. Chairman, I am a member of the veterans task force of the SBA and cochairman of the Loans and Finance Subcommittee. If you notice in 1982, the loans to Vietnam veterans dropped to 1,137, and in the first quarter of this fiscal year there are 409 veterans that have been given out to Vietnam veterans.

As these new initiatives have been taking place for veterans, there has been a slow decline in the number of Vietnam veterans that actually get loans from that agency. Even though they might want to talk about percentages, the number of Vietnam veterans getting loans has been on the decline. And if you look at over the first quarter of this fiscal year, 409 loans have been given out to

Vietnam veterans. That breaks down to roughly seven loans per State, and, Mr. Chairman, as a State like yours, Texas, there are approximately one-half a million Vietnam veterans and seven loans went out to that entire constituency.

So I think that if there is going to be any credible measurement as to how many services are going out to veterans and Vietnam veterans, I would think it would have to be measured as to how many actual people get services and loans to have some valid measurement.

I would also like to clarify—with Mr. Herrera—that the $25 million of new fiscal direct loan money was going to be an addition. If I am reading him right, that would mean that $16 million was given out to Vietnam veterans last year, the previous year $25 million was given out to Vietnam veterans. So $25 million and $25 million, if you look back to 1981, if they were going to be given it in additional money, at the end of this fiscal year, approximately $50 million in direct loan money would have gone to Vietnam veterans.

As we sit here today, approximately $2.1 million has gone to direct loans to Vietnam veterans. This is $2 million and if they have a goal if they are going to fulfill this thing of reaching approximately $50 million.

The other thing that I would like to point out is that also in the measurement of actual services to veterans would be looking at the past system of the procurement automated source system, of how many Vietnam veterans actually get procurement assistance from the Small Business Administration. I think that there needs to be some type of measurement as to how many contracts actually go to Vietnam veterans by the services that the SBA is currently providing them, as I know there is no data and statistics being kept on how many Vietnam veterans get contracts as a result of the past system which is their procurement system.

Mr. Chairman, I would also like to point out that consistently over the last nine congressional hearings on this issue of small business development for veterans, everybody has called for one thing collectively and that was full implementation of the current laws and regulations on the books for veterans.

Public Law 93-237 has several provisions in its regulations that call for certain personnel to be designated in every SBA office. It calls for a full-time veterans affairs officer. It calls for a veterans procurement officer and it calls for one or more veterans loan officers designated in every district office.

To this date, and over now 9 years since this law has been passed, those personnel have yet to be designated. The SBA has, at best, appointed veterans affairs officers and these people are not full-time in that capacity. So just trying to meet the provisions of the law, they are far short in designating personnel to meet those requirements.

I think that it needs to be looked at. They have started these pilot projects there for special training and workshops for veterans. I might point out, Mr. Chairman, that the law does require that the SBA do special workshops on a regular basis. This is nothing new. It has been on the laws for over, like you had mentioned, 9 years.

So, in closing, Mr. Chairman, what I would like to point out is that I would hope that this committee here would use some valid numbers and stuff to actually measure the amount of services that Vietnam veterans are actually getting. We have been getting less loans consistently now for the last 3 or 4 years in numbers, yet, all this increased attention.

We did sponsor the Minneapolis project, the Vietnam Veteran Foundation. You did ask the question—they have been a rousing success as far as veterans showing up. I think, Mr. Chairman, the question to be asked is, what happened after we did the conference on Saturday and Sunday, on Monday, Tuesday, Wednesday, Thursday of the following week as everybody came back to Washington, as Vietnam veterans call the SBA offices for loans, for procurement systems, for management assistance which they do not have the staff or personnel to develop or get them.

I think the real measurement of these programs is not to bring a whole room full of Vietnam veterans and veteran-owned businesses, but how many actually get loans. I think if you look at the small amount of dollars that Vietnam veterans have actually gotten in the context of how many Vietnam veterans there are, 10 million, eligible for this program, that unless the dollars reflect what veterans are in the population, it is not going to be, I think, an equitable program.

That concludes my statement, Mr. Chairman.

[The prepared statement of Mr. Wincek appears on p. 110.]

Mr. LEATH. Well, certainly, I don't think the committee could agree with you more, Tom, that what we wanted done has not been done. Of course, that is one of the reasons that we are having the hearing this morning. We are vitally concerned about that. As you also know, we, several weeks ago, had hearings on the possibility of a much larger jobs bill for veterans. Unfortunately, for some strange reason, even though it increased spending by several hundred billion dollars over the next few years, the House Budget Committee did not see fit to include our somewhat paltry request for $150 million for veterans in their budget. I don't quite know why, but I would suspect that this committee as well as all the veterans organizations at some point in the very near future might take great exception to that.

I think recognizing, certainly, the deficiencies, the sad deficiencies that you have pointed out and the not very good trends that I hope that we have, at least, at this point, based on the testimony from SBA and VA a little earlier, that perhaps made both agencies recognize that we are serious about this and we want them to get serious about it.

Two years ago in testimony before the Subcommittee on Oversight and Investigations, you stated that the small business loan program for veterans should be in the Veterans' Administration. Do you still believe that the VA would more effectively implement the loan program than would SBA or do you think that perhaps, if SBA has been born again from the standpoint of realizing that we do want to have a viable loan program for veterans, do you think it might work in this manner or what is your thinking on this currently?

Mr. **Wincek**. Mr. Chairman, I do support—it did come out of this particular committee—it did come out of this particular committee the provisions of 97-72 creating a loan program in the Veterans' Administration. I think the positive part of having a veterans loan program in the VA is at least the right constituency is served there. I think it is going to be a trend that is going be very difficult to overturn—SBA, giving the type of priority that veterans rightfully have under the law, with all the other competing constituency groups for those very limited loan dollars. So I think over the long run, it would have been wise to have the $25 million put into the VA. It also could have been given $750,000 for administration costs and I think it would have created several new jobs within the Veterans' Administration for competent veteran loan officers and that would have been an initial start for the long roles that we are trying to look at, and that is to put more Vietnam veterans in business, rather than having the Small Business Administration continue on their programs.

I think that is a part of it, but I think the VA program would be nice if that would start up there. At least the right constituency is served.

Mr. **Leath**. Well, I would certainly want to add, as far as the Chair is concerned, that I tend to have the same feeling. I like to see veterans programs within the VA. I am willing, of course, personally, and I think the committee is, to give SBA a chance, and I think the record ought to reflect that that is exactly what it is, and if they fumble the ball, we are going to take it away from them and see that the VA does create a viable program.

Mr. **Sniffen**. I think that that's a wise, prudent move at this time. I do think that it should be their last chance. Now we are talking about an agency that has had from 1975 at least to the present and there have been a number of studies and a number of commitments. We consider this another set of promises and we expect them to be committed.

I would like to make two quick points, Mr. Chairman, along the same lines of what you are saying. After 8 years of no funding, SBA seems to be telling the Congress that because of the short time fuse they are only going to be able to spend approximately half of the $3 million that has been allocated by this Congress for outreach services. We suggest that instead of saying that to the Congress, they should be saying that they are going to double their effort so that they insure that they spend the $3 million that has been allocated.

This could be accomplished simply by looking at the contractual arrangement with the community-based organization that is similar to the Department of Labor. Now instead of increasing the Department of Labor ceilings and staff, they can contract it out to veterans centers and there are literally hundreds of community-based veterans organizations in every State around the country that surely could use this money and they are capable of providing the expertise.

If the SBA can't use that money internally, then they should be contracting out. In fact, Mr. Chairman, the foundation does have two proposals into the SBA for that purpose. But this committee should insure that the entire $3 million is spent as intended for this fiscal year.

Second, along the lines of Vietnam veterans not receiving their fair share of the direct loan moneys and the guaranteed loan moneys, I think that the Congress knows that they will be having hearings in April over on the House Small Business Committee where Chairman Parren Mitchell is considering raising to $600 million in the 1985 budget the direct loan moneys; also $3 billion next year in guaranteed loan levels will go to $4 billion in 1985.

We hope that this subcommittee and this Congress will continue to insure that Vietnam veterans receive a fair portion of that money, should that be enacted by Congress. We hope that the SBA will be required to submit an 1984 budget for direct loans and increased designated levels of authority for the guaranteed loan program.

We thank you, Mr. Chairman, for your diligent efforts on keeping SBA involved there.

Mr. **Leath**. Thank you, Bob, and you can be rest assured we will attempt to do that.

Mr. Solomon.

Mr. **Solomon**. I can't help but notice the disparity between your analysis of the SBA's recent activities on behalf of the veterans programs and the comments made by the American Legion. Is your appraisal based on past failures of the SBA or do you see specific problems with the new programs being implemented by the SBA? Are there any problems specifically?

Mr. **Wincek**. I guess, Mr. Solomon, if you look at the number of loans given out to individual veterans, if that is on the decline over the last 2 years and then last year when we had most of the emphasis programs that it declined even more than the previous year, and then looking at this fiscal year when the programs have been in full gear, that we are actually behind what we are behind last year's failure, how do you justify coming in and talking—we can come here to Washington and talk about all the great things we are going to do, but if less and less Vietnam veterans get loans, out of 10 million that are of the average age of 37, it's hard to really rationalize how much of an effort is being put into serving that particular constituency?

The other thing is, on the guaranteed loan program, the SBA has never extended their full authorization. They have approximately $3 billion of loan money in the guaranteed program with as many Vietnam veterans, and surely with 30 million veterans, that they should be getting at least one-third of that loan money. There are 30 million veterans, 100 million adults and that's one-third of the appropriation or roughly $1 billion should be spent on veterans.

If you look at the actual dollar amount, approximately $300 or $400 million is being spent and so consistently veterans who they represent and who are supposed to be getting top priority within that agency, actually get shorted approximately $700 million a year in guaranteed loan moneys.

If we are to measure this year's performance, again, they have a $3 billion authorization and if one-third goes to veterans which they represent in the population, the target would be $1 billion again. Of that, Vietnam veterans, who are of the average age of 37, if they were just to get half of that loan money, you would be talking about $500 million going to Vietnam veterans in guaranteed loans.

That sounds like a lot of money, but there's 10 million of them out there. Again, the loans have been far fewer than that. So there is really no other measurement except to dollar amounts versus performance.

Because, again, in our Minneapolis project, when I asked a number of veteran businesses in that group how many were interested in loans, many of them raised their hands. I asked them how many were interested in procurement assistance. Many of them raised their hands. But who is there after everybody goes home to actually provide that assistance. So the measurement needs to be, how many people that are participating in these conferences actually get loans?

Our project now was a month ago—we had it February 20 and 21. I am very curious as to how many veterans actually got served after everybody came back to Washington and promised them all these great programs?

Mr. SOLOMON. Well, I share your concern. One thing that the Oversight and Investigations Subcommittee is going to be looking into is exactly that. We have found already that when the actual loans were up in the previous years and the fact that they are down now seems to be a pattern which isn't just true in the Veterans SBA loan program.

But, you know, in 1979 and 1980, the prime interest rates were 21.5 percent and it's been going down and down and down. Today's it's 10.5, 11 points. That makes a significant difference. We have found that throughout all of the SBA program, not just the veterans program, that the demands have been less, including all other Government programs, primarily because when the interest rates are down there isn't that much of a demand. One thing that we want to look into is how this relates to the number of applications from Vietnam veterans and as to the number of approvals, plus all the other veterans programs.

I think that if you have any expertise in that area, we certainly want to know about it on this committee and this subcommittee as well as the Oversight and Investigation Subcommittee. It is occurring.

Let me pose a question that I posed to the American Legion. They did attend the pilot programs and monitored them. Can you give us your reaction? Did you monitor those, attend any of those pilot programs and what is your reaction as to how they are working out?

Mr. WINCEK. We were the contractor to the Minneapolis project, which was the second one. It was the first one of a SBDC and an SBA coordination. The Small Business Development Center is a contractual arrangement that SBA has with universities and stuff. In our Minneapolis project we did set up a Veterans Business Resource Council that had the veterans organizations on it with various members of the Federal and State Government that were interested in the fields of business.

We had a full house. As a matter of fact, we had originally planned to just bring 100 businesses into the Ramada Inn. We had

100 and some preregister and so we expanded that to about 150, of which about approximately 120 showed up on Saturday and Sunday.

Jim Bourie of the American Legion was right on about the enthusiasm being there. My only shortcomings are, who is left there on Monday, Tuesday, Wednesday, and Thursday of the week after we all went back to Washington to actually provide the loans and procurement and the management assistance to these particular veterans.

In most of the SBA offices, they have virtually one person to handle the whole field of procurement and they cannot really provide the indepth, personal attention that small businesses need to compete in the Federal procurement process there. So I think the followup is most critical. Part of the discussions that we had with the Appropriations Committee of the House with Neal Smith was that the $3 million would be used to further provide services—after we do the outreach and stuff to these veterans, that monies would be made available to actually provide the indepth services, similar to what they do for the many minority programs and women's programs where they actually contract out to the private sector to provide these services so these veterans would feel like they actually got these services rather than promises.

Mr. SOLOMON. That's a good point and we will certainly be looking into it.

Thank you very much.

Mr. LEATH. At this point, I want to recognize one of our new colleagues on the committee whom we are delighted to have because he has a very, very strong interest in veterans' affairs and asked to serve on this committee, which, in this day and time, is highly unusual, Mr. Lane Evans.

Mr. EVANS. Thank you, Mr. Chairman. I appreciate your comments. I am new to this area of SBA loans. I am a Vietnam-era veteran myself so you can put me on notice today and I will be keeping a very close eye in the next year. How much longer do you think the SBA should have to develop an adequate program? I mean, are you talking another year or 2 years?

Mr. SNIFFEN. You know, if you look just last week at OMB's action of trying to prevent the implementation of the $25 million. I think SBA's intentions on the 1984 budget should be a signal to this Congress. I think actual implementation of veterans affairs on a full-time basis at least one individual is a measure.

I also think following closely what is done in each of the 100 district offices would be another way. I think by this time next year there should be a final decision on whether that program should stay in SBA or should be moved out based upon the record from henceforth today.

Mr. WINCEK. Mr. Evans, if I could just add to that as far as trying to get a measurement. We do have the first quarter statistics that are on page 7 of the SBA's testimony. I think that a good time to have another evaluation would be to look at the second quarter to see, if, in fact, more loans and stuff have been given out to the constituents that we are talking about, the Vietnam veterans.

Mr. Evans, it's very important, I think, because they use these terms interchangeably too often and it's sometimes confusing, veteran and Vietnam veteran. There are 30 million veterans, as you know, and there are 9.5 million Vietnam veterans. So statistics can be played with often times. The moneys that we are talking about in the direct loan program are specifically earmarked for Vietnam veterans and so increasing their appropriation over last year by $25 million, $50 million in the direct loan program would be in the ball game as far as them actually providing special consideration, as far as who Vietnam veterans represent in the adult population.

Mr. EVANS. All right. I appreciate your comments and let's keep in touch on this.

Mr. BURCH. Mr. Chairman, I am Tom Burch. I am the general counsel for the Vietnam Veterans Foundation. This is my debut appearance before the committee. I have no testimony to add. We do greatly appreciate the interest of this committee and we feel like the oversight services looking at what the executive departments, and they are critical, because it is breaking down and we are very encouraged by the remarks of yourself and Congressman Solomon and I feel like the right kinds of questions are being asked. We greatly appreciate that.

Mr. Chairman, Public Law 97-377, the continuing resolution for fiscal year 1983, appropriates an additional $28 million for Small Business Administration programs for veterans; $25 million of this amount is earmarked for direct loans for veterans. The highest commendation is extended to those Members of Congress who participated in the legislation which brought about the appropriation of these funds for the Small Business Administration loan program authorized by Public Law 97-72.

In that regard, I request that excerpts from a number of articles appearing in the Stars and Stripes on this point be made a part of the hearing record.

Mr. LEATH. Without objection, it is so ordered.[1]

Mr. BURCH. I look forward to looking with you and the members of your staff in the future.

Mr. LEATH. Thank you. We are delighted to welcome you. Thank you, Tom. We appreciate it very much.

Our next witness is Mr. Philip Mayo, special assistant to the National Legislative Service, Veterans of Foreign Wars.

We welcome you, Phil, and Mr. Graham. You may proceed by summarizing your testimony. Your full statement will be entered into the record.

STATEMENT OF PHILIP R. MAYO, SPECIAL ASSISTANT, NATIONAL LEGISLATIVE SERVICE, VETERANS OF FOREIGN WARS OF THE UNITED STATES, ACCOMPANIED BY KIM GRAHAM, SPECIAL ASSISTANT FOR EMPLOYMENT AND READJUSTMENT

Mr. MAYO. Mr. Chairman, thank you for the opportunity to express our views to the subcommittee this morning. With me, as you know, is Kim Graham, our special assistant for employment and readjustment at the VFW.

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[1] See p. 116.

You are all familiar, I think, with the litany of events that have brought us here today and what we would like to do is just briefly summarize things that we think should be done at this time.

As you know, Mr. Chairman, $3 million was made available to the SBA for the purpose of outreach for veterans. We believe these funds may best be utilized in several areas. First, a significant portion of those funds should be set aside for bringing onboard additional personnel to assist and become veterans affairs officers. Since, at present, these officers have other responsibilities as district officers, their time to assist veterans is diluted and we believe that obstacles to hiring such individuals, such as hiring freezes and the like, may be overcome by administrative ingenuity. Additional personnel will bring about better outreach.

Second, funds should be utilized to construct SBA/veterans booths to be placed at veterans' organizations conferences and conventions. This would increase the flow of information to those groups regarding SBA/veterans programs.

Third, we believe adequate funds should be set aside for veterans affairs officers conferences. These officers cannot appreciate the magnitude of this effort within the SBA without being well-informed.

Fourth, there is a definite need for the publication of a comprehensive veterans affairs officers manual, as well as pamphlets and brochures, that may be used to inform veterans of the various SBA/veterans programs.

Fifth, the establishment of a SBA/veteran hotline, such as an 800 number, might be used to provide interested veterans with current information regarding the availability of funds or other worthy information.

Mr. Chairman, we recognize that much still needs to be done with respect to the SBA and its activities for veterans. But we also recognize when credit is due as a result of recent efforts, the SBA deserves such credit.

Mr. Chairman, we, again, appreciate the attention this subcommittee and its staff have given to veterans whose needs fall within their purview. We will be happy to continue working with the subcommittee to ensure uninterrupted progress with respect to meeting the needs of veterans who entertain entrepreneurial ambitions.

Thank you very much.

[The prepared statement of Mr. Mayo appears on p. 119.]

I think Mr. Graham has a comment he would like to make.

Mr. **Graham**. Mr. Chairman, earlier comments were made concerning the disparity of remarks from veterans organizations regarding the work of the SBA. I feel very positive about the SBA today. As we have heard many times in earlier testimony, not much was done back in 1974 when they first implemented special consideration.

I think they have come a long way. I think they realize and we all realize that they need to do more. But I believe that when Jim Sanders became Administrator—one point that I don't think was mentioned earlier is that Jim Sanders was a member of the task force at its earlier inception before he was the Administrator. He was heading up the management assistance portion of the task force. As a result I view this as a natural entry into discussing the SBA's problems with Mr. Sanders today.

I would like to publicly thank Mr. Sanders and other members of his staff, Marshall Parker, Steve Mollett, Frank Swain, and Leon Beochet. They have all been extremely accessible for any of the concerns our organization has had. Another area that I would like to discuss concerns the discussion of money.

The VFW is not only concerned with increasing the amount of loan money available, but also the with the providing of management assistance and all other areas of assistance that the SBA can provide. In times such as today, where all Federal agencies are under constraints with regard to budgets and whatever, I think that it's a mistake to believe that the veteran out there is only concerned with getting money.

I think if the SBA can dissuade a veteran from getting into business if he is not qualified to get into business, that deserves as much merit.

I think that the SBA does have things to improve on, but I would state today that I think they have done a fine job in the past year and a half.

Mr. **Leath**. As you know, approximately $1.6 million of the $3 million appropriated for veterans outreach in SBA has not been expended, as has been pointed out earlier.

In your testimony you list several ways in which these funds could be effectively utilized. Have you presented these suggestions to the SBA, and if so, what kind of response have you had from them?

Mr. **Graham**. Yes, we sent a letter after their last meeting which was approximately 3 weeks ago describing in detail our particular concerns. We haven't gotten a formal response to that particular letter, but they realize our concerns and we feel that they are going to be addressing them.

Earlier we were talking about the VAO's, the veterans affairs officers. It is true that in some of those offices not only are the VAO's wearing two hats, but wearing numerous hats. That is one of the areas that the SBA can address. If they are going to choose a veterans affairs officer for a particular office, more consideration should be given to what other duties that individual has to ensure that a veteran can avail himself of the VAO whenever he wants to.

Mr. **Leath**. Mr. Solomon.

Mr. **Solomon**. Gentlemen, I am greatly encouraged to see that your organization shares the American Legion's assessment of the progress being made by the SBA in this area and that you agree that the figures certainly indicate that we are finally, finally, beginning to see some favorable movement by the SBA. What is your overall view of the effectiveness of the activities of the Office of Veterans Business Affairs within the SBA so far?

Mr. **Graham**. I feel like they are finding their feet. What I mean by that is that it takes a while for anybody to really get into gear. I think they have been troubled with maybe lack of personnel just within their own office and they face the same problem that other Federal agencies face in the sense of hiring freezes and ceilings on personnel.

But these are the types of things that we think can be addressed either through the $3 million or by increased attention on that particular office itself.

Mr. **Solomon**. I am sure we would all like to see these SBA loan figures improve and I think that your specific recommendations about the implementation of the $3 million outreach program will certainly improve our chances of bringing this goal about.

I would just like to invite you, as I did the Vietnam veterans and the American Legion, to stay in touch with us about your views as to the future progress in this area, and to keep us informed as to any recommendations you might want to make for fine tuning this outreach program in the coming months.

We always worry that the bureaucracy breaks down. It is a real pleasure to have your organizations, all of you out there, helping us to keep an eye to make sure that we are keeping them moving in the right direction. We sure do appreciate it.

Mr. **Graham**. I think one point with regard to the amount of loans should be made. I think that the important figure to look at is the percentages. If loans have come down for veterans, look across the board—as you mentioned earlier, they have come down for all groups, but the percentage of loans for veterans is actually going up.

Mr. **Solomon**. We want to keep them going up.

Mr. **Graham**. I want to keep them going up, too, but at the same time, I want the whole operation of activities by the SBA to go up, not just the money. Many times the impression is that veterans are out there saying, "Give me money. Give me money", but they need other assistance other than just money

Mr. **Solomon**. I appreciate that. Thank you very much.

Mr. **Leath**. Very good point. Mr. Evans.

Mr. **Evans**. No questions, Mr. Chairman.

Mr. **Leath**. Thank you, gentlemen. We appreciate you coming. Give our regards to Cooper.

Our next witness is Ron Drach, National Employment Director of the DAV, and Ron, we are delighted to welcome you before the committee again this morning.

Butch, what happened to Ron? [Laughter.]

Mr. **Joeckel**. Well, I was going to explain that to you, Mr. Chairman.

Mr. **Leath**. OK.

Mr. **Joeckel**. He is unavoidably on a vacation skiing trip.

Mr. **Leath**. Poor ole' Ron. Would you express our sympathies to him. As my friend Frank would say, "It's hell out there in the jungle." [Laughter.]

Somebody has got to do it. [Laughter.]

Mr. **Joeckel**. I am going to express some sympathies to him, but maybe not those that you would have me do.

Mr. **Leath**. Well, Butch, we are delighted to welcome you. You probably know more about this subject than Ron anyway, so go ahead.

Mr. **Joeckel**. Well, thank you, Mr. Chairman.

Mr. **Leath**. We will go ahead and enter Ron's full statement in the record.

[The prepared statement of Mr. Drach appears on p. 120.]

STATEMENT OF CHARLES E. JOECKEL, DEPUTY DIRECTOR OF LEGISLATION, DISABLED AMERICAN VETERANS

Mr. JOECKEL. After listening to all of the witnesses, thus far, there isn't much to add. I would like to summarize by saying that we, too, agree that the SBA has gone a long way in improving their programs for disabled veterans.

We are pleased to see that SBA finally is gathering some statistics. It has not been mentioned yet, but there is a difference between the two programs, the VA program in Public Law 97-72 and the SBA program; the distinction is that special emphasis is accorded to Vietnam era and service-connected disabled veterans under the provisions of Public Law 97-72. We are concerned that no statistics are available regarding service-connected veterans participating under the SBA program.

With unemployment the way it is today, and it has been intimated that among disabled veterans, it ranges from 30 to 50 percent, we think that there ought to be targeted emphasis on the service-connected disabled. You mentioned having the VA as a one-stop agency and we certainly agree with that concept. We support funding of Public Law 97-72 for the VA's small business program.

I would say this: It is kind of a shame—and I can recall a few years ago when we had the hearings on a bill that would transfer the Veterans Employment Service to the VA—it's kind of a shame that we have to have those kind of proposals before any kind of effective program is implemented on behalf of veterans in other agencies.

I think this is the case here, that with the enactment of Public Law 97-72, SBA has responded, we believe, in a rather positive way. And although, as you mentioned, there is limited funding available—and you have to take it where you can get it—and since the funding went to the SBA, we will continue to support the efforts that they have made thus far. Preferably, we would rather see the program in the Veterans' Administration.

That concludes my summary, Mr. Chairman.

Mr. LEATH. Is it the opinion of the DAV that the Small Business Administration is fully implementing the special consideration provisions of Public Law 93-237? Are veterans, especially disabled veterans, getting the special consideration that you know that the Congress intended when that bill was passed?

Mr. JOECKEL. Fully implementing and doing the job that the SBA has been doing since last year are two different things. I think that they have made some tremendous strides forward on behalf of veterans, and particularly Vietnam veterans, and perhaps it's a little bit of our own fault, from the view of the Disabled American Veterans, that we have not pushed or made more emphasis or put more emphasis on the service-connected veteran and their loan entitlements under SBA.

But I think overall in the last year and a half, they have been moving in the right direction and we would associate ourselves with the remarks of all the other veterans' organizations thus far.

Mr. LEATH. Mr. Solomon.

Mr. SOLOMON. I would like to point out something kind of unusual at this hearing. Quite often we have a representative of the bureaucracy come before us and testify and they can't wait to pick up their papers and get out. I wish everybody would look at the young lady in the red dress sitting in the back of the room there. Ms. Starbuck is here and she has stayed through this and I think it really demonstrates her interest in the implementation of the SBA program and the VA's willingness to participate in an open forum for the benefit of our veterans.

Ms. Starbuck, we appreciate that. You are not the typical bureaucrat.

Ms. STARBUCK. Thank you, Mr. Solomon.

Mr. SOLOMON. First, as far as the DAV is concerned, let me just say that I am a life member of your organization and we certainly appreciate the fine work that the DAV has done over the years. I think this whole committee would like to express its gratitude for those efforts.

We have shared your disappointments in the past and for that reason, we can certainly understand your sense perhaps of guarded optimism. We all have that and we are also guardedly optimistic and look forward to your continued surveillance of SBA activities.

I was just wondering what particular difficulties our disabled vets have been facing with the SBA and do you have any specific recommendations? You don't have to give them to us today, but we would appreciate knowing them.

Mr. JOECKEL. From the information that we are getting back from our field service officers, the problem is, it seems, that our members who are looking for direct loan assistance, often cannot identify the veterans officer in charge of administering the program for veterans. They don't know who it is. They don't necessarily get referred to the same person each time.

In addition, some of our members fall under other programs for the handicapped as well so sometimes they are caught between a rock and a hard place. But, at least, if there were a single individual identified as the veterans affairs officer for SBA, and identified all the time as having that particular job, it would be much easier for them. Those are our main complaints.

Suggestions, I would rather give that some thought and let Ron do that.

Mr. SOLOMON. I said, "Don't give them today," but we would appreciate hearing from you. Thank you.

Mr. JOECKEL. Thank you.

Mr. LEATH. Thank you, Butch, and be sure and express the committee's sympathies to Ron for the TDY that he is on today.

Mr. JOECKEL. I certainly will, Mr. Chairman.

Mr. LEATH. Our final witness will be Mr. John Terzano, legislative director of the Vietnam Veterans of American. You may proceed with a summary of your testimony. Your full statement will be made a part of the record.

STATEMENT OF JOHN TERZANO, LEGISLATIVE DIRECTOR, VIETNAM VETERANS OF AMERICA

Mr. TERZANO. Thank you, Mr. Chairman, for allowing us to come here today and present our views on what the SBA has been doing in recent months with respect to veterans.

I would agree with the other witnesses here today that the SBA has made good progress in the last year. You don't take almost a decade of inaction and stonewalling on the part of the SBA and turn it around overnight. I do believe, and our organization feels, that those individuals at the SBA here in Washington are making a very concerted effort to move this program along and we feel that they are dedicated in that work. As everybody has said before, we are just starting this process and we have a long road to go.

There are a couple of points that I would like to bring the attention to of this committee. The first is the $25 million that was given in special direct loan funds. I was really encouraged when I heard the SBA say earlier that they are well aware that that money is in addition to, and not just a mere supplement of the direct loan program.

But I think it is important to bear in mind that this $25 million is really so little as to only be a token gesture. Although it may assist 5 to 10 veterans per State, which would be 5 to 10 additional veterans in each State employing people and contributing to the gross national product. VVA would hope that the Congress would see fit to shift more funds in this direction, in the hope that this country adjusts to what is in reality the American public's investment portfolio's best bet.

In short we feel that more than $25 million should be in order for the next fiscal year.

Also, I would like to talk a little bit about the $3 million in assistance money. Let there be no mistake about the fact that the VVA is on record for full expenditure of that $3 million within the SBA for veterans as the Congress intended it, and that no part of this rather modest initial investment be diverted to other purposes within SBA or to other agencies.

It is clear to us that, while we are not in favor of spending Federal dollars just for the sake of spending Federal dollars, we have no doubt that the entire $3 million appropriated to the SBA to implement Public Law 93-237 can be spent wisely, effectively, and efficiently, if there is the will to do so.

Also, we are little bit concerned that regulations that should have been promulgated within 60 days of Mr. Sander's policy statement of last May have not yet been published. Moreover, we have noticed that a few SBA people in Washington and the pilot cities, while they are working hard, there seems to be a lack of noticeable strong leadership by the district directors and the regional directors in this implementation process to date.

The question must be asked as to when we will be begin to see the visible support from these key SBA people.

Finally, Mr. Chairman, as we mentioned earlier, we are just beginning on this road. Vietnam veterans' average age to date is 36. We are just coming into the age of when entrepreneurship is really a viable option for our group of people. That is why we are puzzled that the Reagan administration is not putting a real commitment into revitalizing the entire Small Business Administration and expanding rather than eliminating staff.

As you are undoubtedly aware, the total SBA staffing level has been reduced by more than 15 percent and an effective and strong SBA is more important now than ever as we try to retool our industrial plant capacity, our work force and, indeed, our entire economic structure to meet the challenge of changed economic condition.

In conclusion, just let me say that we remain guardedly optimistic about the commitment of the SBA to full implementation of special consideration to veterans and somewhat less optimistic about the commitment of President Reagan's administration to small business owners and potential owners, whether they be veterans or not.

Thank you.

[The prepared statement of Mr. Terzano appears on p. 122.]

Mr. LEATH. Thank you, John, and I think that it's obvious from your testimony that you feel somewhat like the other organization witnesses and Mr. Solomon and myself, that we are making some progress, but we don't want to get too excited about it at this point until we see how in depth it is going to be.

Mr. Solomon.

Mr. SOLOMON. When anybody criticizes our President, whom I happen to think is a great patriotic American, I get my back up a little bit, so I just have to respond a little bit to your comments about budgets, and the fact that we are under fiscal restraints. You only have to take a look at a budget that is on the floor over there being debated now. Our defense budget is being cut back even further than what President Carter had recommended when he was in office. In my opinion it is nothing more than unilateral disarmament and I am going to vote against the damn thing. I am going to fight against it.

I share some of your views, except that we do have some fiscal restraints. I know that Chairman Leath and Sonny Montgomery and the rest of us are fully committed to the SBA veterans program. If we can just get everybody working together, this program is going to work. You have that commitment from this committee and I am sure that I speak for every member on the committee, that we are then going to expand that program.

I mentioned before that it is rather insignificant; $25 million is nothing. But if we can make it work, certainly it is spending money to save money in the long run, because you are going to better people's lives, you are going to make taxpayers out of them and it is going to mean a lot to them. So I don't consider it throwing money down the drain. It is spending money to save money in the long run, even make money for the Federal Government because we are going to have more money coming in.

As far as the $3 million outreach program is concerned, do you have any specific recommendations or maybe you could give them to us later on as to how we could best make that program more effective?

Mr. TERZANO. Yes, I do, Mr. Chairman. We submitted a letter to the SBA, I believe it was in the beginning of February, which I could supply for the record which has our recommendations for our $3 million.

Mr. SOLOMON. Fine. We would appreciate receiving it.[1]

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[1] See p. 125.

Mr. LEATH. John, again, thank you, and to all of the witnesses we want to say, "Thank you." I think, in summary, we would observe that certainly we are not there, but I think we are finally making an effort, both in the VA and the SBA, to get there. I think certainly this member and I would expect probably unanimously, the members of this full committee, have been very much impressed by our new Administrator in the VA, Mr. Walters, and the commitment that he obviously is going to make to the veterans of this country as an advocate in the White House and as a man who is willing to stand toe-to-toe with OMB when they sit there and look at figures and decide they are going to whack here and whack there, and I think that is something that has been desperately lacking in the 4 years that I have been in this Congress.

We have some great anticipation based on that leadership and I think the same should be noted for Mr. Sanders, who has, obviously, during his tenure in SBA, made a very concerted effort to turn this around to recognize the intent of Congress and the desperate need of veterans in this country, particularly Vietnam veterans.

I just have a good feeling inside about the last year or two, as far as Vietnam veterans are concerned, with things that have happened with the memorial, the recognition effort, the jobs bill, which I mentioned earlier, that this committee is probably going to have ready for introduction sometime in the next couple of weeks, where we really intend to finally at last get down and recognize what these great American young men and women through that very distasteful time in our history, which was certainly not their fault.

So it gives me, and I know Mr. Solomon and the other members of this subcommittee, and the full committee, a great deal of pride to feel that we have got perhaps a new awareness not only within our VA and within the SBA and other Government agencies, but within the Nation as a whole within the entire country.

I think that is a good sign. I think we are on the right track. I know that Miss. Starbuck is going to do what she can to encourage and support Mr. Walters and so we are delighted, I think, to leave here this morning with a feeling that we are moving in the right direction.

We thank all of you for coming this morning.

The subcommittee is adjourned.

[Whereupon, at 11:15 a.m., on March 23, 1983, the subcommittee was adjourned.]

APPENDIXES

STATEMENT OF DOROTHY L. STARBUCK, CHIEF BENEFITS DIRECTOR, VETERANS' ADMINISTRATION

Mr. Chairman and Members of the Subcommittee, I am pleased to have the opportunity to appear before the Subcommittee this morning to discuss the VA Small Business Loan Program as established under the Veterans' Health Care, Training, and Small Business Loan Act of 1981, Public Law 97-72.

That law, Mr. Chairman, authorized the Veterans Administration to establish a small business loan program for veterans of the Vietnam era and disabled veterans. The Act also established a small business loan revolving fund to operate the program and authorized a maximum of $25 million to be appropriated to that fund.

When the President signed this measure into law on November 3, 1981, he stated: "Because this program might duplicate a similar program in the Small Business Administration and would involve the Veterans Administration in an area in which it has no expertise, I intend to weigh carefully any efforts to fund this program." To date, no moneys have been appropriated to operate VA's small business loan program.

Mr. Chairman, section 4(b) of the Small Business Act [15 U.S.C. § 633(b)], mandates that: "In carrying out the programs administered by the Small Business Administration . . . the Administrator [of SBA] . . . shall give special consideration to veterans of the Armed Forces. . . ."

In order to fully implement the requirement that veterans receive special consideration, the Small Business Administration in August 1981 appointed a National Task Force on Special Consideration to Veterans which would provide recommendations to the Administrator. Members of the Task Force included representatives from Veterans Organizations, SBA, and other Federal agencies, including two representatives from the Veterans Administration. In March 1982, the Task Force submitted 29 recommendations to the Administrator of SBA including providing priority in processing and funding loans to veterans, providing special management assistance to veteran loan applicants, and appointing Veterans-in-Business coordinators at each VA regional office.

On May 14, 1982, the Administrator of SBA, Mr. James Sanders, issued a policy statement directing specific actions and policies to implement the Task Force recommendations.

Mr. Chairman, the Veterans Administration, in cooperation with SBA, has implemented recommendations of the Task Force by joining SBA in planning special business training conferences for veterans and by appointment VA Veterans-in-Business coordinators at each VA field office with loan guaranty functions. Presently, VA Veterans-in-Business coordinators are referring veterans to the appropriate SBA Veterans Affairs Officer who will provide such veterans with business-management assistance. As these individuals obtain training and experience, through attendance at various SBA sponsored Veterans Business Resource Conferences and meetings with their SBA counterparts, they will be able to answer questions and inquiries within the guidelines established jointly by SBA and VA. In addition, SBA has established an Office of Veterans Business Affairs to be an advocate for veterans in business and to direct programs and activities aimed at the veteran business manager.

The VA supports SBA's efforts, and we believe that total implementation of the Task Force's recommendations will provide all veterans with meaningful assistance and priority in obtaining approximate business loan funding. This, in our opinion, is a practical option for management of a veteran's program by the Federal agency with extensive experience in assisting small businesses.

Mr. James Sanders, the current SBA Administrator has demonstrated a total commitment to veterans' issues and has taken positive steps to implement a workable business loan program providing special consideration to veterans. VA representatives have also met with SBA officials to discuss their experience with this type of program. The meetings have been most helpful to VA personnel in understanding the complexities of business financing.

Mr. Chairman, recently $25 million in direct loan funds were appropriated to the SBA to be made available for implementation of a program which we believe will respond adequately to the needs of the entitled veteran population.

Mr. Chairman, this concludes my statement. I will be pleased to answer any questions you or your members of the Subcommittee may have.

U.S. House of Representatives,
Committee on Veterans' Affairs,
Washington, D.C., March 29, 1983.

Hon. Harry Walters,
Administrator, Veterans' Administration,
Washington, D.C.

Dear Mr. Administrator: I regret that time did not permit asking all of the questions that the members of the Subcommittee on Education, Training and Employment had planned to submit at the March 23rd hearing.

I will appreciate it if you will answer these questions as expeditiously as possible. The questions, together with you answers, will be made a part of the hearing record.

1. The "Pechin Study", commissioned by the Small Business Administration in 1980, suggested that the SBA request, and the VA should provide, sensitivity training about veterans, particularly Viet Nam and disabled veterans to SBA employees. Has this sensitivity training taken place?

2. Has the SBA staff provided information seminars on SBA programs to veterans benefits counselors in the Regional Offices? Do SBA Veterans Affairs Officers serve on VA civic councils?

Sincerely,

Marvin Leath,
Chairman, Subcommittee on Education,
Training and Employment.

April 15, 1983.

Hon. Marvin Leath,
Chairman, Subcommittee on Education, Training and Employment, Committee on Veterans' Affairs, House of Representatives, Washington, D.C.

Dear Mr. Chairman: Thank you for your letter of March 29, 1983, in which you submitted additional questions which members of the Subcommittee on Education, Training and Employment were unable to ask at the March 23, 1983, hearing due to time constraints.

Enclosed please find the answers to those questions. If we may be of further assistance, please let us know.

Sincerely,

Harry N. Walters, *Administrator.*

Enclosure.

Question. The "Pechin Study," commissioned by the Small Business Administration in 1980, suggested that the SBA request, and the VA should provide, sensitivity training about veterans, particularly Viet Nam and disabled veterans to SBA employees. Has this sensitivity training taken place?

Answer. Heretofore, sensitivity training had not been requested by the Small Business Administration, therefore, such training was not provided to SBA personnel by the Veterans' Administration. However, the Director of the Office of Veterans' Affairs at SBA has informed us that there are currently planned a number of intensive training sessions for the SBA Veterans Affairs Officers. These training sessions, to which VA personnel will be invited, will also include specific training as to the special needs and attention required in dealing with Vietnam era veterans and disabled veterans.

Question. Has the SBA staff provided information seminars on SBA programs to veterans benefits counselors in the Regional Offices?

Answer. VA Veterans-in-Business Coordinators have been appointed at all VA regional offices with loan guaranty activity. These individuals have been actively participating in the SBA special training conferences for veterans being offered at various locations throughout the country, and also have been attending SBA Veterans'

Affairs Offices training conferences. Attendance at these conferences has been instrumental in providing the basic information about SBA programs necessary for our Veterans-in-Business Coordinators to effectively provide basic business assistance to veterans. We anticipate that continued attendance at these conferences will refine our coordinators' knowledge of available SBA programs.

Question. Do SBA Veterans' Affairs Officers serve on VA civic councils?

Answer. Although SBA Veterans' Affairs Officers do not participate in any established VA Vietnam Veterans Civic Councils, Mr. Heriberto Herrera, Deputy Administrator at the Small Business Administration, in his testimony before your subcommittee on March 23, 1983, indicated that the Small Business Administration has become involved with the establishment of Veterans Business Resource Councils. He further stated that these councils are intended to be semi-independent, nonprofit organizations whose membership will be representative of the local veteran community and will function as partners with SBA in addressing veterans' needs. Veterans Business Resource Councils are intended to be viable entities working with SBA to assist veterans with their business plans.

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON VETERANS AFFAIRS,
Washington, D.C., April 8, 1983.

Miss DOROTHY L. STARBUCK,
Chief Benefits Director, Veterans' Administration, Washington, D.C.

DEAR MISS STARBUCK. I regret that time did not permit asking you all of the questions that the members of the Subcommittee had planned to submit to you at the hearing on March 23, 1983, on Small Business Loan Programs.

It will be appreciated if you will answer these questions as expeditiously as possible. The questions, together with you answers, will be made a part of the hearing record.

(1) There are 138,000 veterans, 42,000 from Vietnam alone, who live in New Mexico. With that in mind, has the Small Business Administration informed you of the number of veterans affairs officers in New Mexico whose responsibility it will be to work with these veterans?

(2) What type of information does the Veterans Administration have available about this program for veterans at the present time.

(3) What is the Veterans' Administration's responsibility to educate veterans about the Small Business Administration program? What is planned? Who, in the Veterans' Administration, will have that responsibility in New Mexico?

MARVIN LEATH,
Chairman, Subcommittee on Education,
Training and Employment.

VETERANS' ADMINISTRATION,
DEPARTMENT OF VETERANS BENEFITS,
Washington, D.C., April 26, 1983.

Hon. MARVIN LEATH,
Chairman, Subcommittee on Education, Training and Employment, House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: This is in response to your letter of April 8, 1983, concerning Small Business Loan Programs.

In response to your three questions we submit the following information:

1. The Small Business Administration (SBA) has informed us that there is one Veterans Affairs Officer in New Mexico. He is Mr. Rex Chambers and he is located in Albuquerque.

2. At the present time VA Veterans-in-Business coordinators serve primarily as liaisons with the SBA when a veteran inquires about a business loan. The VA gives very basic information about SBA loans and furnishes the veteran with the phone number and address of the local SBA Veterans' Affairs Officer. The VA will also assist disabled veterans to verify their eligibility for the SBA direct loan program. We issue letters which document the Veterans' percent of disability and SBA uses these letters to assure that disabled veterans are eligible for the program. The main goal of SBA-VA coordination is to assist the veteran with a need for business-type assistance by placing the veteran in contact with knowledgeable SBA employees.

3. VA is often the first line of contact for a veteran seeking a business loan and it is vital that we refer the veteran to the proper SBA official. In the VA, Directors of

VA Regional Offices are responsible for imparting information about business loans. In New Mexico this responsibility has been delegated, by the Director of our Albuquerque Regional Office, to Mr. William O'Brien who is the Veterans-in-Business Coordinator at that station.

We hope the above information has been responsible to your inquiry.

Sincerely yours,

Dorothy L. Starbuck, *Chief Benefits Director.*

SBA
U.S. Small Business Administration
Washington, D.C. 20416

STATEMENT OF

HERIBERTO HERRERA
DEPUTY ADMINISTRATOR
SMALL BUSINESS ADMINISTRATION

BEFORE THE

SUBCOMMITTEE ON EDUCATION, TRAINING AND EMPLOYMENT
COMMITTEE ON VETERANS' AFFAIRS

March 23, 1983

MR. CHAIRMAN AND MEMBERS OF THIS SUBCOMMITTEE:

I appreciate the opportunity to appear before you today to discuss the current status of the Small Business Administration's implementation of P.L. 93-237, as it pertains to veterans, to report on several areas in which the Agency proposes to spend the funds appropriated by the Congress for outreach to Vietnam era veterans and disabled veterans, and remark on the Small Business Loan Program for Vietnam era and disabled veterans.

National Veterans Task Force

We have made many positive results since March 31, 1981. The hearings before the Subcommittee on Special Investigations, Committee on Veterans' Affairs, concluded with Chairman Montgomery's suggestion that we consider the recommendation made by the American Legion that a task force be established to define "special consideration" and mutually agree on areas toward which the SBA would direct its efforts.

Following the Chairman's suggestion we created the "Task Force on Special Consideration for Veterans." Representatives from the American Legion, the Vietnam Veterans of America, the Paralyzed Veterans of America, Disabled American Veterans, Veterans of Foreign Wars, Blinded Veterans Association and the Vietnam Veterans Foundation consented to serve on the task force along with SBA top program managers and observers from the Veterans Administration, Department of Labor, and ACTION. Frank S. Swain, SBA's Chief Counsel for Advocacy, chaired the general meetings of the task force, and in March 1982 submitted the recommendations of the task force to the Administrator.

On May 14, 1982, the SBA Administrator issued a policy statement on special consideration for veterans. This policy statement and the recommendations of the task force established the foundation for our renewed program of assistance to veterans.

Here are the principal areas where actions have already taken place or are in process of being implemented.

New Office of Veterans Affairs

1. The Office of Veterans Affairs was established and is currently staffed with a Director, Stephen Mollett, a Vietnam veteran, two professional assistants who also are veterans, and two clerical employees. This office reports directly to the Associate Deputy Administrator for Special Programs, Marshall J. Parker.

Priority Loan Processing/Funding

2. District and regional offices were directed in our May policy statement to provide for veteran priority in the processing and funding of loan applications. Just last week, at the National District Director's Meeting, we again emphasized this policy and our strong commitment to veterans.

Special Training Conferences for Veterans

3. In addition to regular management assistance and business training for veterans, SBA scheduled six (6) "pilot" special business training projects. The locations, chosen with the advice of the Task Force were: San Francisco, Denver, Minneapolis, Dallas, Columbus and New York. The San Francisco, Minneapolis and Denver seminars have already taken place. The other seminars are scheduled as follows: Dallas, March 25-26, 1983; Columbus, March 26, 1983; and, New York, May 23-24, 1983.

These pilot conferences are sponsored with the local veterans community and our purpose is to sharpen the working relationship between veterans and SBA, and develop a training program for veterans that focuses on their special interests and business needs.

The SBA has entered into various contracts for assistance in the development of the Veteran Business Training Seminars. These were:

Contractor	For	Amount
The Business Store (Jim Pechin)	San Francisco	$9,955.00
Vietnam Veterans Foundation (Tom Wincek)	Minneapolis	$9,955.00
American Association of Community and Junior Colleges (Carol Eliason)	ALL	$2,000.00 *

* Represents a modification increasing an existing SBA contract through Management Assistance.

Veteran Business Resource Councils

An outgrowth of the San Francisco project was the establishment of Veteran Business Resource Councils. Veteran Business Resource Councils are intended to be semi-independent, non-profit organizations, whose membership will be representative of the local veteran community, and will function as partners with SBA in addressing veterans' needs. We anticipate that local Veteran Business Resource Councils will be viable entities working side by side with SBA to assist veterans, especially Vietnam era and disabled veterans. We have recommended that these Councils be established in each of the pilot locations and have issued interim guidelines to each of the District Directors.

In addition to these "pilots" we will carry this training and information program to at least 30 other locations around the country over the next 18 months.

Communication Aids and Film

4. The Office of Public Communications developed a videotape from the San Francisco session. This film contains the comments and observations of representatives of the American Legion, the Veterans of Foreign Wars and the Vietnam Veterans of America. These organizations lent their support, attended, and volunteered their on site services to make this effort a success.

Mr. Chairman, we would like to thank publicly these organizations for their help. We believe this demonstrates a true partnership between these organizations and the SBA. We are proud of this film and this new beginning. We have directed that this film be shown to all regional and district employees as part of our orientation and sensitivity training regarding veterans. We have also made it available to national and local veteran organizations.

Veterans Handbook/Training Materials

5. The Office of Veterans Affairs has issued a Veterans Handbook to explain the SBA Veterans Program to veterans. Work is underway to improve and update this Handbook. We expect to distribute several thousand copies to veteran organizations. We are also going to update our Veterans Affairs Officer's Handbook and develop a manual for the use of agencies and organizations with a need for in-depth information on SBA programs for veterans.

SBA Veteran Affairs Officers

6. Regional Administrators and District Directors are charged with the delivery of services to veterans. The Policy Statement not only makes this clear but also requires them to appoint a Veteran Affairs Officer to be the contact point and advocate for veterans in their community. This has been done. There are 88 officials now appointed to these duties. These VAO's are veterans and professional level SBA staff. SBA has just concluded a meeting of the District Directors (March 15-17, 1983) at which the new dimensions of the program were emphasized, including outreach and the Veterans Business Loan Program, as a national priority of SBA. Furthermore, we will be conducting intensive training sessions for these officers in the next few months.

Studies and Data Collection

7. Arrangements have been completed between the Office of Veterans Affairs and the Office of Administration for a statistical base to enable the Office of Veterans Affairs to do a better job in evaluating SBA's services to veterans in several program areas. This system will be refined during the coming months to increase its usefulness. Also, part of our plan is to conduct some short studies and data collection on veterans in business.

It is significant to note that during the first quarter of FY 1983, 22.7 percent of SBA's loans went to veterans. Over $47.0 million in loans were made to 409 Vietnam veterans and $57.8 million to 458 veterans of other than the Vietnam era. The statistics clearly demonstrate that the share of total SBA loan dollars to veterans has increased from 12.2 percent in 1980 to 21.9 percent in 1982. In the first quarter of FY 1983 we have made 22.7 percent of the total loans to veterans. The share of Vietnam veterans has risen from 4.6 percent in 1980 to 9.7 percent in 1982. In the first quarter of FY 1983, 10 percent of SBA's loans were made to Vietnam veterans.

		FY 1980	FY 1981	FY 1982	1st Qtr. FY 1983
Total SBA Loans to Vietnam Veterans	#	1,933	2,319	1,737	409
* % of all SBA Loan $$	$	(4.6%) $158.7	(6.6%) $209.9	(9.7%) $172.7	(10%) $47.1
Total Direct Loans to Vietnam Veterans	#	453	462	314	42
* % of all Direct Loan $$	$	(6.5%) $ 23.7	(8.5%) $ 24.8	(11.2%) $ 16.7	(6%) $ 2.1
Total SBA Loans to Other Veterans	#	2,123	2,669	1,731	458
* % of All SBA Loan $$	$	(7.5%) $256.4	(10.5%) $336.4	(12.2%) $217.3	(12%) $57.8
TOTAL SBA LOANS	#	31,539	28,652	15,435	4,517
	$	$3,387.8	$3,176.5	$1,770.5	$460.2

In evaluating these statistics one must remember that SBA loans are not grants or entitlements. All applicants, including veterans, must meet business loan criteria in order to qualify for financial assistance. The criteria, which are statutorily imposed, are expressed by the Congress in the sentence: "all loans made . . . shall be of such sound value or so secured as reasonably to assure repayment."

$3 million were included in the SBA FY 1983 budget for an outreach program for disabled and Vietnam era veterans, in accordance with the provisions of P.L. 93-237. SBA proposes to use these funds to implement the recommendations of the Task Force on Special Consideration of Veterans.

SUMMARY OF CURRENT OUTREACH ACTIVITY

I.	The Office of Veterans Affairs	$290,000
	A. Fund Office salaries & expenses.	
	B. Work with Task Force and monitor field performance.	
	C. Review and develop appropriate programs and incentives for veteran business ownership.	
II.	Veteran Business Seminars	$650,000
	A. Fund the remaining pilots up to $10,000 for each program as needed ($50,000).	
	B. Plan and conduct 30 additional seminars over the next 18 months ($300,000).	
	C. Provide support for the programs and minimal staffing and costs of the Veterans Business Resource Councils ($300,000).	
III.	Training of SBA's Veterans Affairs Officers	$100,000
IV.	Studies, Publications & Other Program Related Materials	$350,000
		$1,390,000

In addition to the original Task Force recommendations which we mentioned earlier, the Task Force members have also been helpful in shaping this outreach effort and have given us specific suggestions, most of which are incorporated in this activity. We have included with our testimony a summary of activity on each of the 29 Task Force recommendations and how they relate to the outreach funds provided.

$25 Million Direct Loan Funds

On March 10, 1983, the House of Representatives rejected the proposed deferral of funds authorized for SBA direct loans. This made $25 million available for the Veterans' Small Business Loan Program. In order to begin the immediate implementation of this program, the SBA conferred directly with the Congress with reference to using the SBA 7(a) loan program as the model for the program that the Congress intended.

Thus, beginning with what we considered to be the mandate of the Congress and the veteran service organizations we: 1) notified the field offices that direct funds were available and that the Veterans' Small Business Loan Program had been funded; and 2) we drafted a program fact sheet which was hand delivered to each of the District Directors at their National meeting on Tuesday, March 15, 1983.

Mr. Chairman, we are proud that we could fashion guidelines and implement this significant program in so short a time frame.

The program is a loan program. Applicants must apply first to the banks and must be turned down before we can make them a loan. And, since these are loans, and not grants or other entitlements, the applicants must demonstrate that they can repay the loan and must have some equity in the business.

The interest rate is based on the SBA 7(a) interest rate formula, which is 11 3/4 percent as of April 1, 1983.

We have attached the Veterans' Small Business Loan Program fact sheet which is also being made available to inquirers about the program.

Interagency Cooperation

We mentioned earlier that other Federal agencies cooperated in the Task Force deliberations. They served on its subcommittees and helped shape our current direction. The Veterans Administration has designated Veterans-in-Business Coordinators in their field offices to work with local SBA staff on individual veteran referrals. Also, Veterans Administration, Department of Labor, ACTION, Department of Defense, and others are participating in the Veteran Business Resource Councils where these have been organized.

We expect to continue to improve upon these relationships where we jointly bring our resources to bear on the needs of veteran entrepreneurs.

Mr. Chairman, these activities I have just described represent a sincere effort to respond to the needs of veterans. Our relationship with the national veterans service organizations is becoming more and more a relationship of mutual understanding, planning, and partnership. We are receiving the cooperation of the Veterans Administration, ACTION, and the Department of Labor, and their suggestions and recommendations are beneficial.

We believe that we have begun a new era. We are admittedly just gaining momentum, and with this new spirit of cooperation which we are experiencing with the veterans organizations, other agencies, and the Congress. We will meet the challenges and serve this nation's deserving veterans.

SBA is deeply committed to providing its services and assistance to veterans with particular emphasis on disabled and Vietnam era veterans. Also, we believe that the program we have just outlined provides a much needed and carefully constructed approach for assisting veterans in business. The funds provided by the Congress for this fiscal year will, wherever possible and prudent, be utilized to carry out the objectives outlined in our testimony.

Mr. Chairman, this concludes my prepared statement. I will be very pleased to answer any questions you may have at this time.

Attachment #1

ACTION
BY THE SMALL BUSINESS ADMINISTRATION
IN RESPONSE
TO THE
RECOMMENDATIONS OF THE
TASK FORCE ON SPECIAL CONSIDERATION
FOR VETERANS

Policy Statement

Task Force Recommendation -

28. The Administrator of SBA and the Administrator of VA should issue separate "Policy Statements" to their employees, regarding assistance to veteran business.

What SBA is Doing -

Administrator Sanders issued Statement on May 14, 1982.

Proposal -

Full implementation with all deliberate speed utilizing available budget funds.

Veterans Affairs Office

Task Force Recommendation -

17. Establish a permanent Office of Veterans-in-Business within the Office of the Chief Counsel for Advocacy.

18. Establish a 12-month Task Force on Veterans-in-Business to be composed of senior program officials of SBA and veterans service organizations.

23. Establish the full-time position of Assistant Advocate for Veterans Business Affairs within each regional offfice responsible for assuring that veterans receive "special consideration" in all regional and district level programs.

24. Appoint a Veteran Field Service representative in the SBA Central Office and monitor field performance in providing business services to veterans. This applies to each Associate Administrator.

What SBA is Doing -

The Administrator established an Office of Veterans Affairs under the Associate Deputy Administrator for Special Programs and established a Twelve-month Task Force. The Office of Veterans Affairs is headed by a Director, who is responsible to the Associate Deputy Administrator. All programs areas are represented on the Task Force. Administering the program in the Field Offices are the District Directors, each of whom has appointed a Veterans Affairs Officer. There is a Regional Veterans Affairs Officer assisting the Regional Administrator in each of the ten regions.

The Office of Veterans Affairs employs the only full-time Veterans Affairs Officers.

The current operating costs of this Office are $170,000.

Proposal -

A. Continue to work with the Task Force and monitor field office performance.
B. Review and develop appropriate programs and incentives for veterans business ownership.
C. Include in budget the total administrative expenses of maintaining the Office of Veterans Affairs.

Total cost - $290,000

Training Conferences

Task Force Recommendations -

6. Continue the MA national effort, with special Training Seminars for all Veterans, with emphasis on Vietnam-era and disabled veterans.

7. Management Assistance Division will implement a demonstration project in no less than four different geographic locations of "Special Business Management Training for Veterans."

8. No less five state SBDC's (Wisconsin, Washington, South Carolina, Pennsylvania, and Florida) will develop, promote, and execute business assistance pilot programs targeted for veterans.

16. The Management Assistance Workshops include a segment on "How to do Business with Government."

What SBA is Doing -

SBA targeted five cities for the Management Assistance Division demonstration project of Special Business Management Training for Veterans. They are San Francisco, Dallas, Denver, Columbus and New York.

The San Francisco Conference was held on December 11-12, 1982. In connection therewith, three objectives were emphasized:

1. The creation of local Veteran Business Resource Councils. Composed of veterans, federal and state officials and others, each council would provide a network of business resources for veterans and involve local veteran groups in defining needs and problem solving.

2. Provide business training specifically focused on the needs of the veteran entrepreneur. Special emphasis is to be placed on prerequisites to obtaining a loan, doing business with the Government and special areas of local interest, as identified.

3. Awareness of special needs of veterans by SBA program personnel to form the basis for increased community outreach and to enable SBA to communicate these needs to local lenders and banks.

The pilot SBDC Project is underway in Minneapolis, Minnesota. The training session is scheduled for February 19-20, 1983 and based on developments, similar targets will be formulated. This project differs from the training project since each SBDC's functions are defined by contract.

Funding for these conferences has consisted of three contracts of, roughly $20,000, with no provision for funding the remaining conferences.

Proposals -

A. Fund the remaining pilots at $10,000 for each program at a cost of $50,000.

B. Schedule 30 additional conferences over the next 18 months, providing identical funding at a cost of $300,000.

These funds would defray the cost of organizing the conferences as well as special printing, facilities and equipment rental.

C. Provide funding for Veterans Business Resource Councils at $300,000.

Total cost - $650,000.

Veterans Affairs Officers Training

Task Force Recommendation -

5. All current and newly appointed field Veterans Affairs Officers (VAOs) should receive extensive training to inform and orientate them on the Agency's organization, mission and commitment to "special consideration" for veterans.

14. Designated Veterans Affairs Officers (VAOs) receive training on SBA Procurement and Technology Assistance programs and that, on an on-going basis, they receive pertinent updated information regarding Procurement and Technology Assistance.

What SBA is Doing -

Currently the Office of Veterans Affairs maintains contact with the Veterans Affairs Officers in the field by forwarding memoranda explanatory of the program and thru periodic telephone contact as needed.

Proposals -

The Office of Veterans Affairs will schedule seminars for the District Directors and the Veterans Affairs Officers to review the statutory and policy background for special consideration for veterans, to introduce the loan program under 97-72, and to set targets for each district to perfect its veterans programs.

Total cost - $100,000

Upgrade Publications and Directives

Task Force Recommendations -

9. The Office of Public Communications will research, develop, and publish a booklet/brochure for veteran services and programs.

10. SBA develop a comprehensive veterans brochure especially containing information pertaining to procurement and technical assistance.

12. SBA should make available appropriate copy describing procurement programs that could readily be included in the publication of veterans organizations.

20. Establish a fair proportion of SBA and Advocacy research funds, (grants and contracts) for the purpose of specifically examining and reporting on veteran-owned enterprise or opportunities.

What SBA is Doing -

SBA issued its Veteran's Handbook based on the provisions of P. L. 93-237, pointing out the availability of all SBA's Programs to Veterans and "special consideration."

Subsequent appropriation of funds for SBA to implement a Vietnam and Handicapped Veteran loan program, originally assigned by the Congress to the Veterans Administration, requires a comprehensive update of the Handbook.

The Task Force has also recommended the publication of a manual for the use of SBA's Veteran Affairs Officers. Work on this manual is presently include under contract with the Vietnam Veterans Foundation on the Minnesota project.

It is anticipated that other outreach materials will be required and developed.

Proposal -

Full implementation of the above recommendations utilizing the funding provided by Congress for veteran outreach.

Total cost -	Veterans Handbook	$150,000
	VAO Manual	$ 75,000
	Outreach Materials	$125,000
		$350,000

Internal Implementation

Task Force Recommendations -

1. Applications submitted by veterans should receive priority both in processing and funding ahead of applications received from non-veterans.

2. In its guaranteed loan program, the SBA will emphasize its policy of "special consideration" for veterans, including efforts to publicize the needs of veterans and to encourage bank loans to veterans.

4. SBA should modify Part 116 of its Rules and Regulations consistent with the recommendations of this Task Force.

11. SBA develop a procedure for systematic notification of local veterans organizations to advise them of upcoming procurement conferences, seminars, and trade fairs.

15. Develop system using PASS for periodic mailings of the Technology Assistance Reader Service cards to selected veteran-owned firms.

21. Assure that in SBA regulations, SOP's and policy directives, veterans are placed ahead of all other applicants when establishing priorities for assistance of any type.

22. Include in all SBA Agency operating plans, Regional Operating Plans, goals and objectives appropriate recognition and goals for Veterans-in-Business; and include veterans-in-business in the annual Congressional reports of SBA and Chief Counsel for Advocacy.

29. SBA should establish an automated accounting system which would more accurately measure veteran participation in all SBA programs.

What SBA is Doing -

The SBA has incorporated a change in its loan processing standard operating procedure which provides for priority for veterans both in processing and funding ahead of non-veterans. This SOP must be cleared before it becomes effective. The policy has been repeatedly discussed with field office personnel.

SBA has taken no specific action on a Bank Outreach Program. The creation of the Veteran Business Ownership Councils in connection with SBA's pilot conferences is the first step in the creation of a network to accomplish this goal. The availability of direct loan funds has centered the attention of SBA and the task force on internal procedures rather than bank outreach at this time.

The task force's recommendations on the modification of Part 116 of the SBA rules and regulations has, by mutual agreement, been held in abeyance pending our experience from the pilot programs to enable SBA and the task force to re-examine the content of the originally proposed regulations.

The Office of Veterans Affairs has assumed the duties of advising the National Veteran Service Organizations of scheduled activities of local interest and a joint effort is being made to notify the local offices of activities.

SBA through the Office of Veterans Affairs and the task force are working to provide for veteran priority and appropriate goals to assure compliance with the congressional mandate of special consideration for veterans.

Proposal -

SBA and the task force will continue to monitor these activities and cooperate in providing for full implementation. Expenditures to accomplish any of the outreach under this activity will be included in the activities: publications and material; resource councils; and, studies and data collection, as appropriate.

The Pechin Report

Task Force Recommendation -

19. Direct the Agency to initiate systematic measures to implement recommendations contained in the "Pechin Report" consistent with the programs and policies of the Administration.

25. Direct the Office of Advocacy to review the need for an Executive Order related to a national veterans enterprise policy, particularly for those programs and activities affecting veteran interests which involve interagency jurisdictions, functions, and cooperation.

What SBA is Doing -

In addition to the Administrator's May 14, 1982 Policy Statement, the Office of Veterans Affairs along with the Task Force on special consideration are working jointly to explore practical ways to implement the recommendations of the "Pechin Report."

Proposal -

That the joint effort toward practical implementation continue. No specific funding is required.

Action with the Veterans Administration

Task Force Recommendation -

26. Initiate action with the Veterans Administration to secure their appointment of a Veterans-in-Business coordinator in each regional city to work with SBA Advocate and other agencies.

27. Develop jointly with the Veterans Administration and the veterans service organizations, an image building and information program to reach bankers and the business public regarding veterans as "business partners."

What is Being Done -

The Veterans Administration has named representatives to serve as Veterans-in-Business coordinators in each regional city. The SBA has advised its field staff.

Proposal -

Continue to involve the VA Veterans-in-Business coordinators in planning and participation in Veteran Business Resource Councils and SBA field office activity. No cost is anticipated.

PACKAGING ASSISTANCE

Task Force Recommendation

3. The SBA should explore the possibility of providing packaging assistance to veterans.

What SBA is Doing -

At this time the SBA does not provide packaging assistance for its clients. The Minority Business Development Agency of the Department of Commerce allocates funds for minority packaging assistance. The Office of Veterans Affairs and the Task Force has examined this problem and are exploring the provision of these services by possible contract with or grant to Veterans Business Resource Councils. These are adequate funds projected for the councils to include loan packaging pilots. An alternative approach would be through utilization of the Vietnam Veterans Leadership Program administered by ACTION.

Proposal -

Further study by SBA and the Task Force.

Task Force Recommendation -

13. (a) The Administrator of SBA declare disabled veterans (as defined by the Veterans Administration) as a socially disadvantaged group for purposes of participation in the 8(a) program.

(b) The SBA Task Force study and develop set-aside and 8(a) programs or programs of a similar nature, for participation by veterans only.

What SBA is Doing -

The SBA has considered and rejected the suggestion that disabled and Vietnam era veterans be included in the 8(a) program. While many disabled and Vietnam era veterans may be eligible for the 8(a) program, we do not feel that veterans, disabled or Vietnam era veterans as a group meet the statutory requirements of P.L. 95-507.

We are creating a subcommittee of the Task Force on Special Consideration for Veterans to consider similar program efforts to provide contracting opportunities for veteran owned firms.

Attachment #3

SBA

U.S. Small Business Administration
Washington, DC 20416

Memorandum

Date: MAR 11 1983

From: AA/F&I

Subject: Availability of Loan Funds

To: All Regional Administrators
District Directors
Branch Managers

In our memorandum of December 22, 1982 we stated that you would be advised promptly in the event of any change in direct funding availability.

On Thursday, March 10, the House of Representatives passed a resolution to reject the proposed deferral of funds authorized for SBA direct and guaranty loans in P.L. 97-377. The effect of this action is to make funding available for the fiscal year in the following programs and amounts:

(Dollars in Millions)

	Direct & I.P.	Guaranty
General Business 7(a)	$85.0	$2,510.0
Handicapped	15.0	5.0
Economic Opportunity	45.0	60.0
Energy	5.0	15.0
Veteran's	25.0	-0-
Development Company	-0-	250.0

In no event, are applications for direct loans to be refused based upon unavailibility of funds. If any field offices have been maintaining "chron lists," those applicants listed are to be advised immediately that complete and qualified applications will be accepted for processing.

Fund allotments for general 7(a) and 7(a)(11) loans will be issued in the next few days to regional offices. Funds for HAL, Energy and the newely authorized Veteran's Loan Program, will be provided on a case by case basis upon request through the regional budget officer.

Additional guidelines and requirements for Veteran's loans will be provided shortly.

Nothing herein is intended to force the usage of funds in cases which do not meet established Agency lending criteria, but to assure that qualified applicants are not denied access to funds which are available.

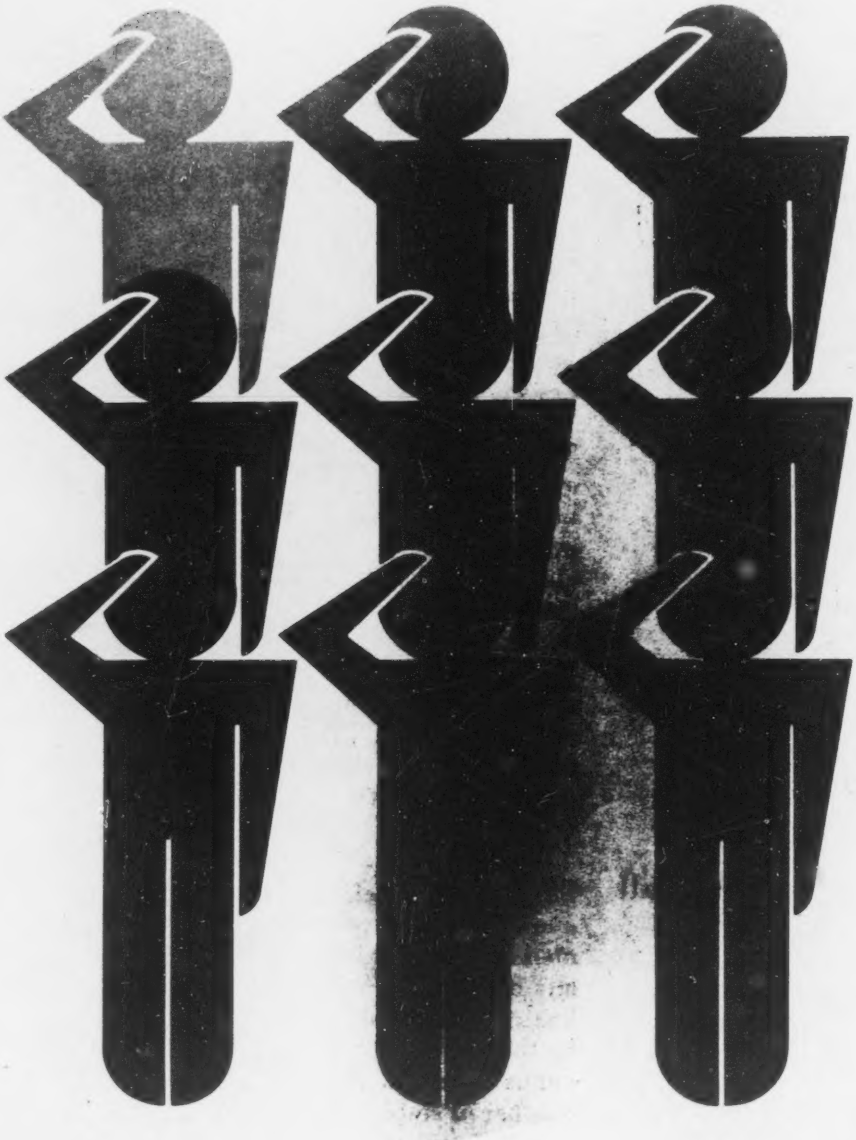
Edwin T. Holloway

Edwin T. Holloway
Associate Administrator
for Finance and Investment

SBA

Veteran's Handbook

U.S. Small Business Administration
Office of Veteran Affairs



The Business of SBA

The **U.S. Small Business Administration** is a small, independent Federal agency, created by Congress in 1953 to assist, counsel, and champion the millions of American small businesses which are the backbone of this country's competitive free-enterprise economy.

The mission of SBA, simply put, is to help people get into business and to stay in business. To do this, SBA acts as an advocate for small business. At the direction of Congress, the Agency espouses the cause of small business, explains small business' role and contributions to our society and economy, and advocates programs and policies that will help small business. SBA performs this advocacy role in close coordination with other Federal agencies, with Congress, and with financial, educational, professional and trade institutions and associations.

The Agency also provides prospective, new, and established persons in the small business community with financial assistance, management counseling, and training. SBA also helps small firms obtain a fair share of government contracts.

The Agency has about 4,000 permanent employees and more than 100 offices in all parts of the nation. To provide quick service, SBA has delegated decision-making authority to its field offices in most of the program areas.

What is a Small Business

SBA generally defines a small business as one which is independently owned and operated and is not dominant in its field. To be eligible for SBA loans and other assistance, a business must fall within a size standard set by the Agency. This standard is based on annual receipts, assets, net worth and/or number of employees, depending on type of industry and SBA program. Specific size standard information is available through any SBA office around the country.

Where to Obtain Help

In each SBA office, there is a person designated the "Veterans Affairs Officer (VAO)." This person should be your initial contact and resource person for information on Small Business Administration programs. You can contact the VAO by calling the number listed in the telephone-directory white pages under "U.S. Government—Small Business Administration." Ask for the name and extension of the Veterans Affairs Officer, if not specifically listed.

There is an **Office of Veterans Affairs under the Associate Deputy Administrator for Special Programs, Washington, D.C. 20416.** This office does not make loans or provide counseling, but was created to monitor SBA's assistance to veterans and address matters of general interest. The staff works closely with the national veteran service organizations and other Federal agencies in developing and monitoring the delivery of business-related services to veterans.

Financial Assistance

The Congress has authorized the Small Business Administration to make loans for business purposes. These are loans, not grants, and the applicant must demonstrate that the amount borrowed plus interest can be repaid from the earnings of the business. Applicants must meet eligiblity requirements, and, generally, apply to at least one commercial bank. Veterans who meet these criteria and apply to SBA for a regular business loan are placed ahead of non-veterans who apply on the same day. If your application is incomplete, you could lose this special consideration.

SBA also administers a Handicapped Assistance Loan Program. Handicapped veterans compete on an equal basis with non-veteran handicapped persons for these loans, which have very low interest rates.

Packaging Applications

The SBA does not prepare applications for applicants. The SBA Veterans Affairs Officer can advise you how to obtain assistance.

Management Assistance

No one should start a business before attending an SBA pre-business workshop. Most SBA offices conduct these workshops on a recurring basis. Periodically, these workshops are conducted especially for veterans. The Veterans Affairs Officer can schedule you for a convenient location and time.

The SBA is also developing special business training projects for veterans to be held at several locations across the country. These will be announced in the local media and through the national veterans service organization publications.

Your local SBA office can help you with many of your specific business problems. Brochures that discuss specific business problems are available.

Procurement Assistance

If you are interested in contracting with the Federal Government, or have encountered problems in this area, a Veterans Affairs Officer can assist you or get answers to many of your questions.

A small business whose low bid for a government contract is rejected because of uncertainty about whether it can fulfill the obligations can apply for an SBA Certificate of Competency. This determination by SBA can overrule the rejection and win the contract.

Working to Help Veterans

In its Advocacy program, SBA maintains contact with the small business community, including trade associations, and represents small business interests with other government departments and the Congress.

Veterans of the Armed Forces have fought to maintain the freedom that has made our country strong. SBA wants to assure that veterans receive the benefits of all of the programs the Agency provides. If you are a veteran and are interested in SBA services, call, write, or visit the Veterans Affairs Officer in your nearest SBA office.

United States of
America
Small Business
Administration
Washington, D.C.
20416

Policy Statement

Subject: Special
Consideration for
Veterans of the
Armed Forces

Public Law 93-237, which amended the Small Business Act, directed that the Small Business Administration give "special consideration" to veterans of the Armed Forces in all Agency programs. Since this law was first implemented by regulation in 1974, the SBA has provided thousands of hours of business counseling and training to veterans and in FY 1981 alone, made $546.3 million in loans to this group. This represented more than 15% of the total SBA loan dollars for that year. While this record demonstrates a sincere effort to provide assistance to veterans, there has been a steady increase of concern from the national veterans services organizations and committees of Congress that, in reality, veterans do not receive any "special consideration" as the law requires when seeking SBA assistance.

While SBA programs are not entitlements or benefits in the traditional sense of other veteran programs of the Government, it seems clear from Congressional Hearings, SBA studies, and reports of veteran services groups that this Agency must do more to assure that the men and women who served their country in the Armed Forces are provided every opportunity to utilize the services of SBA. Also, this is especially important for the Vietnam-era veteran who is just beginning to enter the economic mainstream in larger numbers, and the handicapped veteran whose circumstances are of special concern to this Agency and Administration.

Therefore, I am directing that the following actions and policies be implemented:

1. There shall be established a permanent **Office of Veterans Affairs** within the **Office of the Associate Deputy Administrator for Special Programs.** This office shall be responsible for providing advice and counsel to SBA management on all legislative, regulatory, economic, and management policies affecting the interests of veteran entrepreneurs. Also, this office shall review SBA programs and the activities of other government departments and agencies whose policies and regulations affect the interests of veterans in business.

2. New regulations as necessary shall be issued to clarify and assure that veterans are, in fact, provided "special consideration" within each assistance program of SBA. Associate and Assistant Administrators shall review their programs and activities and issue any required regulations or SOPs within 60 days from this date.

Specifically, financial assistance regulations shall provide that qualified veterans receive higher priority in the processing and funding of loan applications, with particular attention to be given to the handicapped and Vietnam-era veteran. The "Pechin Study" commissioned by SBA in 1980, and the Report of the SBA Veterans Task Force on Special Consideration for Veterans shall be used to guide the development of all these regulations.

3. Management assistance and business training for veterans shall be intensified over the next twelve months. In addition, special business training projects shall be initiated in at least five geographic locations convenient to reaching the maximum number of veterans. The skill and resources of the Small Business Development Centers, the Office of Public Information, and Agency procurement and technical assistance activities shall be employed in these projects. All other departments and activities of the Agency shall cooperate and lend support to this program as called upon.

4. Regional administrators and district directors are responsible for assuring the effective delivery of "special consideration" for veterans in all their operations and programs. Veterans Affairs Officers (VAOs) shall be appointed in each regional and district office, if not already designated. VAOs shall be highly qualified, trained, and experienced in SBA programs and procedures. These officers shall be readily accessible to veterans seeking agency assistance. Each program office shall monitor the performance of field offices in the effective delivery of services to veterans.

5. The Office of Administration, in cooperation with the Office of Veterans Affairs and each program office, shall assure that information and data concerning the participation of veterans in all SBA programs are collected, measured, and analyzed in a manner which serves the policy making needs of the Congress and Agency management. The Director, Office of Veteran Affairs, periodically reports to the SBA Management Board findings and recommendations regarding veterans participation in SBA programs and the small business economic sector.

The policies and actions set forth in this Statement are to be implemented immediately and shall be incorporated into the regulations and other operating procedures of SBA at the earliest possible date.

GPO 893-204

1953

United States of America
Small Business Administration
Washington, D.C. 20416

POLICY STATEMENT

By

JAMES C. SANDERS, *Administrator*

Subject: Special Consideration for Veterans of the Armed Forces

Public Law 93-237, which amended the Small Business Act, directed that the Small Business Administration give "special consideration" to veterans of the Armed Forces in all Agency programs. Since this law was first implemented by regulation in 1974, the SBA has provided thousands of hours of business counseling and training to veterans and in FY 1981 alone made $546.3 million in loans to this group. This represented more than 15% of the total SBA loan dollars for that year. While this record demonstrates a sincere effort to provide assistance to veterans, there has been a steady increase of concern from the national veterans services organizations and committees of Congress that, in reality, veterans do not receive any "special consideration" as the law requires when seeking SBA assistance.

While SBA programs are not entitlements or benefits in the traditional sense of other veteran programs of the Government, it seems clear from Congressional Hearings, SBA studies, and reports of veteran services groups that this Agency must do more to assure that the men and women who served their country in the Armed Forces are provided every opportunity to utilize the services of SBA. Also, this is especially important for the Vietnam-era veteran who is just beginning to enter the economic mainstream in larger numbers, and the handicapped veteran whose circumstances are of special concern to this Agency and Administration. *Therefore, I am directing that the following actions and policies be implemented:*

1. There shall be established a permanent **Office of Veterans Business Enterprise**, within the **Office of the Chief Counsel for Advocacy**. This office shall be responsible for providing advice and counsel to SBA management on all legislative, regulatory, economic, and management policies affecting the interests of veteran entrepreneurs. Also, this office shall perform advocacy duties as defined in Public Law 94-305 on behalf of veterans, including the review of SBA programs and the activities of other government departments and agencies whose policies and regulations affect the interests of veterans in business.

2. New regulations as necessary shall be issued to clarify and assure that veterans are, in fact, provided "special consideration" within each assistance program of SBA. Associate and Assistant Administrators shall review their programs and activities and issue any required regulations or SOI's within 60 days from this date.

Specifically, financial assistance regulations shall provide that qualified veterans receive higher priority in the processing and funding of loan applications, with particular attention to be given to the handicapped and Vietnam-era veteran. The "Pechin Study" commissioned by SBA in 1980, and the Report of the SBA-Veterans Task Force on Special Consideration for Veterans shall be used to guide the development of all these regulations.

3. Management assistance and business training for veterans shall be intensified over the next twelve months. In addition, special business training projects shall be initiated in at least five geographic locations convenient to reaching the maximum number of veterans. The skill and resources of the Small Business Development Centers, the Office of Public Information, and Agency procurement and technical assistance activities shall be employed in these projects. All other departments and activities of the Agency shall cooperate and lend support to this program as called upon.

4. Regional administrators and district directors are responsible for assuring the effective delivery of "special consideration" for veterans in all their operations and programs. Veterans Affairs Officers (VAOs) shall be appointed in each regional and district office, if not already designated. VAOs shall be highly qualified, trained, and experienced in SBA programs and procedures. These officers shall be readily accessible to veterans seeking agency assistance. Each program office shall monitor the performance of field offices in the effective delivery of services to veterans.

5. The Office of Administration, in cooperation with the Office of Veterans Business Enterprise and each program office, shall assure that information and data concerning the participation of veterans in all SBA programs are collected, measured, and analyzed in a manner which serves the policy making needs of the Congress and Agency management. The Chief Counsel for Advocacy shall periodically report to the SBA Management Board his findings and recommendations regarding veterans participation in SBA programs and the small business economic sector.

The policies and actions set forth in this Statement are to be implemented immediately and shall be incorporated into the regulations and other operating procedures of SBA at the earliest possible date.

Date: May 14, 1982
Washington, D.C.

James C. Sanders

James C. Sanders
Administrator

U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

OFFICE OF THE ADMINISTRATOR

MAY 4 1983

Honorable Marvin Leath
Chairman, Subcommittee on Education,
Training and Employment
Committee on Veterans' Affairs
House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

This is in response to your letter of March 29, 1983, in which you forwarded additional questions from members of your Subcommittee on the Small Business Administration's Business Loan Program for Veterans.

Enclosed you will find our response to these questions.

I was pleased that we were afforded the opportunity to appear. We, at SBA, are committed to assist veterans and are pleased with the progress we have made in the last couple of years.

We look forward to working with you and your staff in the future.

Yours truly,

James Sanders
Administrator

Enclosures

QUESTIONS AND ANSWERS ON SMALL BUSINESS ADMINISTRATION VETERAN'S PROGRAM

QUESTION 1:

In the March 1983 report to the President, The State of Small Business, there are many references to minority and women-owned businesses. I found no references, however, to veteran-owned businesses. I would think that, given the Congressional mandate to provide special consideration to veterans, the services extended to this group should be carefully monitored and data included in SBA reports. Would you comment on this?

ANSWER:

There is no statistical data on veteran-owned businesses that is comparable to that on women and minority-owned businesses. Program and services data on women-owned businesses was not included in the President's report because P.L. 96-302 mandates a discussion of the economic state of small business. Information on SBA's programs and services to various groups, including veterans, is included in SBA's annual report. The Fiscal Year 1982 report will set out extensive information on SBA's program record with veterans who wish to go into business.

QUESTION 2:

During the hearing last week, the pilot seminars sponsored by the SBA in San Francisco, Minneapolis and Dallas were discussed. Would you provide for the Subcommittee a breakdown of the services provided those veterans who attended the seminars?

ANSWER:

It is important to understand that the decision to go into business is complex, involving an attitudinal as well as a financial commitment. Becoming an entrepreneur is much more than an alternative to unemployment or a solution to readjustment problems. The pilot seminars focused on the factors involved in making a rational decision to go into business, the resources available from the SBA and other government organizations, what the veteran has to have to start a business or obtain a loan, and what the veterans can expect as a business owner. We attempted to make these presentations from the veteran's perspective by enlisting the help of veterans who have successfully operated their own businesses. Since the successful operation of a business demands initiative, we feel that once we acquaint a prospective business owner with the fundamentals and where and how to obtain assistance, the next step in the process depends on the individual. Our plan of action does not involve an individual follow-up with those who attend these seminars. We do intend to continue to publicize SBA services and available funding for veterans through the national veteran service organizations. At each of the seminars we had SBA staff available to answer any individual questions that the participants might have. The Dallas seminar had been cancelled and was not held on March 25-26, 1983, as scheduled, due to a very low registration response to the program that was planned. We are evaluating this situation and will be considering alternative veteran business programs for the Dallas/Ft. Worth area. Copies of the completed seminar agenda are enclosed.

QUESTION 3:

Please provide for the Subcommittee the number of Vietnam veteran loan applications pending in SBA's 100 district offices at the current time. Provide separate figures for disabled veterans.

ANSWER:

The Agency's information system does not at this time have the capability of separately identifying pending applications from Vietnam and/or disabled veterans. With the implementation of the Vietnam and disabled veterans loan program, separate coding requirements have been designed and are being implemented so that such identification will be possible in the future.

QUESTION 4:

What concrete actions have been taken by the SBA to provide loan packaging assistance to veterans, as called for in recommendation 3 of the Task Force report?

ANSWER:

Traditionally, the SBA has not provided applicants with loan packaging assistance because this would involve the Agency in putting together the material on which it would predicate its decision to make or decline a loan. This situation creates the impression of a conflict of interest. On page 11 of the attachment to our testimony we indicated that we wanted to study this matter further and were considering the possibility of having this type of service provided by Veterans Business Resource Councils or some other arrangements if practicable. There are, of course, already small business companies that provide this type of service for a fee. These Councils are not in existence throughout the country at this time. We are open to additional suggestions in this area.

QUESTION 5:

For eight years, SBA has never requested funds for a viable veterans program. It took an extraordinary effort by the Congress to appropriate $28 million for this purpose. The Committee is aware that OMB and SBA attempted to impound the bulk of the money and resisted our funding efforts. The Committee is seeking assurance that your agency will be submitting a Fiscal Year 1984 specific budget request for the veterans program. We encourage you to strongly and specifically target figures and amounts recommended by your agency for Vietnam veterans programs. Provide separate data for a disabled veterans program.

ANSWER:

Within our existing statutory authority, the SBA has always had the ability to provide financial assistance to all eligible small businesses including those owned and operated by veterans. Public Law 93-237 mandated that our Agency implement special consideration toward all veterans. This can be effectively accomplished through our existing guaranty loan program without the excessive cost of a direct loan program. In addition, Title III of Public Law 97-72 originally authorized a direct loan program within the Veterans Administration, therefore it would be redundant for SBA to request the establishment of a specific legislative program.

The Administration's policy, as it pertains to direct lending, is that it is costly, it benefits a few at the expense of many, it is an undue direct intervention by the Government in free market operations, and most of all, no major small business group has expressed support for its continuation. For these reasons, the Administration did not request direct funding, except for MESBIC in Fiscal Year 1983, and is not requesting direct funding in Fiscal Year 1984. However, this Agency still remains strong in its commitment to all small businesses, including those owned and operated by veterans, through its guaranteed loan, management, procurement assistance, and advocacy programs.

QUESTION 6:

The continuing resolution last year provided the SBA $3 million for an outreach program for disabled and Vietnam era veterans, in accordance with the provisions of Public Law 93-237. I gather that your plan is to expend $1,390,000 of this during the current fiscal year. What do you plan for the remaining $1.6 million? Can these funds be carried over to FY 1984?

ANSWER:

In our testimony we attempted to convey to the Committee our willingness to purposefully expend all money appropriated by Congress. The appropriation is for FY 1983 only and we feel constrained by time and procurement regulations from developing plans for the wise utilization of $3 million appropriated by the Congress under such a limited purpose.

As you know the Congress did not provide any specific guidelines on how these funds were to be expended. We developed what we believe is a reasonable and prudent plan of action following closely many of the recommendations made to us by the National Veterans Task Force. That is the plan we outlined in our testimony. We have repeatedly indicated our openness to suggestions for expenditure of the remaining funds should there be some compelling issue or project that requires it on a priority basis over and above what is currently planned for this fiscal year.

QUESTION 7:

The special consideration provision applies to both guaranteed and direct loans. Is that correct? How many guaranteed loans does your agency expect to make in Fiscal Year 1983? What percentage do you anticipate would be to veteran-owned businesses?

ANSWER:

While the special consideration provision would apply to all programs including the guaranty loan program in terms of counseling, access to the Veteran's Affairs Officer, management programs etc., there would be little practical application to the guaranty loan program. This is because historically SBA has had, and expects to continue to have, adequate guaranty funds to satisfy all qualified loan demand. However, "special consideration" does not alter credit requirements to satisfy statutory requirements for reasonable assurance of ability to repay a loan from earnings.

Based upon our current authorized guaranty loan level, average loan size, and an anticipated economic recovery this year, we anticipate guaranty loan approvals to number about 17,000. While we cannot estimate with assurance the number of those guaranties that will be made to veterans, if previous experience levels continue, that number should be at least 3,840, approximately 22.6 percent.

QUESTION 8:

The big problem since 1974 has been, what does special consideration for veterans mean regarding loan programs handled by your agency? Have you issued any recent regulations on what is meant by special consideration, and if not, do you contemplate doing so in the near future?

ANSWER:

Attached hereto is a copy of guidelines issued to each Regional Administrator and District Director in the SBA field organization in March of this year. This guideline identifies areas of special consideration.

QUESTION 9:

How many veteran-owned businesses are registered with the procurement automated selection system? How many contracts have Vietnam veteran-owned businesses obtained under the PASS system?

ANSWER:

There are presently 24,741 veteran-owned firms registered with PASS. Of this number, 7,820 are Vietnam era veteran-owned businesses. Inasmuch as the Procurement Automated Source System is for the purpose of making the capabilities of these companies known to both government and private sector buying offices as a marketing service for these companies, this office has no record of how many contracts have been obtained by Vietnam veterans as a result of being in the PASS.

QUESTION 10:

Would you provide the Subcommittee with copies of the updated veterans affairs officers' handbook?

ANSWER:

In our testimony we mentioned our plans to update the Veterans Affairs Officers' Handbook. We will be pleased to furnish you copies of the updated handbooks when they are issued. A portion of this update was included in the Vietnam Veterans Foundation contract in Minneapolis. They have requested an extension of their contract to furnish this update. We do not have a current status report from them. We are considering a further update in connection with the training seminars for the veterans affairs officers.

QUESTION 11:

Have you yet scheduled seminars for the District Directors and Veterans Affairs Officers to review the statutory and policy background for special consideration for veterans and set targets for each district to perfect its veterans programs? If these seminars haven't yet been held, I think it is important that they be scheduled as soon as possible.

ANSWER:

The SBA District Directors had a national meeting March 15-17, 1983. We testified on March 23, 1983, that the District Directors had been oriented on the Agency's policy and strong commitment to veterans. The Administrator and the Director of the Office of Veterans Affairs emphasized to them the new dimensions of the program, including outreach and the Veterans Business Loan Program, as a national priority of SBA.

In addition, we have developed a Request for Proposals, soliciting from the private sector a contractor to professionally conduct the training and follow-up and develop the final edition of the Veterans Affairs Officers' Handbook. We anticipate that these training seminars for the Veteran's Officers will take place during mid-August and September. This is a difficult process since we will be addressing a situation that has been stagnant for several years and cannot expect to turn this completely around in just a few months of our renewed Agencywide effort. SBA serves the nations small business community and it is comprised of several important special groups worthy of special emphasis in our programs; minorities, women, and of course, veterans. Training of VAO's to act as the advocate within a District Office for veterans interests can bring the proper degree of sensitivity to our people and level of effort consistent with serving the needs of veterans and all other important constituencies as well. We certainly agree that VAO training should take place as soon as possible and we are moving rapidly to get this done.

QUESTION 12:

I'm interested in the expansion of the pilot program. Would you keep the Subcommittee informed of the schedule of the expansion and what locations are chosen?

ANSWER:

Most certainly. We will be pleased to keep the Subcommittee advised of the details of the expanded pilot program. The additional locations have not yet been selected. We will be consulting with our Districts and the VAO's to evaluate with them and the Veterans Service Organizations those sites which will offer the greatest opportunity to reach veterans entrepreneurs. Also, a major factor will be the opportunity for "partnerships" and cooperation that can be developed with accredited local veterans organizations to assist us in this effort.

QUESTION 13:

How big is the SBA? How many people work for the SBA? Would you describe the organization of your agency?

ANSWER:

The Small Business Administration is currently comprised of a Central Office, 10 Regional Offices, 65 District Offices, 23 Branch Offices and 20 Post of Duty Stations. In addition we have four Area Disaster Offices and a number of small disaster sites, or one-stop centers, which depend on current disaster activity. Our on-board employment as of February 28, 1983 is as follows:

Full-Time Permanent	3,970
Regular Temporary	318
Disadvantaged Youth	60
Disaster Temporary	678
TOTAL	5,026

QUESTION 14:

Attachment 2, your fact sheet regarding business loans for Vietnam era and disabled veterans, caps the direct loans at $150,000 rather than the statutory limit of $200,000. Why was this done?

ANSWER:

While the veteran's loan program was established in the Veteran's Administration by P.L. 97-72, it was the Continuing Resolution, P.L. 97-377, that authorized the program in the Small Business Administration. In that bill, the language indicated that the program would be carried under the same general provisions as the existing SBA direct loan program. That understanding was confirmed in conversations with the Senate and House Appropriations Committee staffs. SBA's direct loan programs have for many years been administratively limited to $150,000, so that the limited direct funds available would serve a larger number of borrowers. Legal evaluation is now being undertaken to determine whether the SBA statutory limitation of $350,000, or the P.L. 97-72 statutory maximum of $200,000 actually applies to this loan program.

veteran's business conference

2[illegible]-256 137

THE VETERAN'S BUSINESS RESOURCE COUNCIL

and the

U.S. SMALL BUSINESS ADMINISTRATION

Present

a special pilot training program designed to meet the needs of both experienced and emerging entrepreneurs. General sessions will focus on benefits and programs of importance to all. Track I, for the very new, part-time and pre-startup business will focus on concerns, questions and basic planning. Track II, for the established business, will deal with the tools for cash flow planning; bring a calculator for this intense session.

WHERE: Best Western Arlington Arms
1335 Dublin Road
Columbus, Ohio

WHEN: Saturday, March 26, 1983
8:00 a.m. to 6:00 p.m.

WHY: To furnish veterans, their spouses and dependents with timely information about starting and running a successful business.

REGISTRATION FORM

Attach check for $20.00
payable to VBRC and mai
to:
VBRC
P O Box 16080
Columbus, Ohio 43216

Name ________________
Business Name ________________
Address ________________
City ________________ ZIP ________
Daytime Phone ________________

Please register me for: ____ Track I -- New Business Owners
____ Track II - Established Business Owners (limit 50 persons)

Please indicate: 1. Type of Business: Retail ____ Service ____ Mfg. ____
Wholesale ____ Construction ____
2. (a) Branch and period of military service ________________
(b) Spouse/dependent of veteran: yes ____ no ____
3. May we list your name and address on a participant list to be distributed at the conference? yes ____ no ____
4. Please send room reservation card. yes ____ no ____

ABOUT THE CONFERENCE

Due to space limitations, paid in advance reservations are required by March 21st. Make your check or money order for $20 payable to: Veteran's Business Resource Council, and send with the registration form to:

Veteran's Business Resource
Council
P.O. Box 16080
Columbus, Ohio 43216

The registration fee includes all materials, breaks, lunch and snacks. Confirmation and maps will be mailed upon receipt.

The Best Western Arlington Arms is located on Route 33, a few miles northwest of downtown Columbus. The Imperial Ballroom and Lakefront Conference Suites, which are barrier free, are located on the lower level at the southeast corner of the motel. Parking is free.

You may call (614)228-1488 for program information.

A small block of sleeping rooms will be held only until March 11th. Please use the special reservation cards available from VBRC or mention "SBA" if you call the motel directly.

Veteran's Business Conference
March 26, 1983

8:45 -- Small Business: Key to the American Free Enterprise System

9:30 -- Veteran's Benefits in Business: A panel of veterans organizations and veteran businesspersons will discuss what benefits you can and cannot expect.

	Track I -- For the New Business Owner	Track II -- For the Established Business Owner
10:30 --	You and the Business Opportunity Three Veteran business owners will discuss the ups, downs, ins, outs, whys and why nots of their ventures. 1. What business is right for you? 2. What does it take to operate a business? 3. What are the advantages and disadvantages?	Cash Flow Management (Part 1) Components of Cash Flow Management Profit and Loss Projections 1. Gathering an information base. 2. Formats 3. Analyzing 4. Profitability decisions

12:00 -- Lunch: Seating with owner/planners of similar business types and resources.

1:00 --	Developing a Plan for Your Business Building a Strong Business Foundation 1. Legal 2. Records and Taxes 3. Marketing 4. Financial	Cash Flow Management (Part 2) Cash Flow Projections 1. Present position 2. Cash receipts and disbursements 3. Analyzing 4. Surpluses and Deficits Matching Actions and Consequences

3:15 -- Your Business and SBA: Help for your firm and how to get it.
3:30 -- Government Contracting: How to find and bid on sales to government.
3:45 -- Exporting: Another market for your product.
4:00 -- Meet your Business Associate: A social session, with snacks and cash bar. Exchange ideas and firm up your contacts informally until 6:00.

Track III - Exhibits and Counseling
8:00 -- Exhibits of materials from veteran resources and a place to talk.
3:00 -- Counseling and Questions: SCORE/ACE counselors, speakers, SBA staff and vet groups will be available.

ABOUT THE SPONSORS . . .

VETERAN'S BUSINESS RESOURCE COUNCIL

The Veteran's Business Resource Council (VBRC) was formed by representatives of various veteran's organizations interested in promoting veterans as entrepreneurs. The VBRC hopes to become a resource, support and advocacy group for veterans who either own their own business or are about to enter a business venture.

To accomplish this goal, we need businessmen and women, veterans or non-veterans to work with the council in providing expertise in small business. Those interested in the VBRC should contact:

VBRC
P O Box 16080
Columbus, Ohio 43216
(614) 228-1488

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U.S. SMALL BUSINESS ADMINISTRATION

Co-sponsorship of this conference by the U.S. Small Business Administration (SBA) is one of several initiatives in a national effort to assure that the men and women who served their country in the Armed Forces are provided every opportunity to utilize the services of SBA. Information on the financial, procurement and management assistance programs of the Agency are available from the SBA Columbus District Office, 85 Marconi Blvd., 43215 (phone 614-469-6860) or from our Cincinnati or Cleveland Offices.

VETERAN'S BUSINESS CONFERENCE

TRACK II - AGENDA

Place	Time		
Lower Lobby	8:00 a.m.	Registration - Coffee	
Imperial	8:45 a.m.	Welcome and Introductions	
		Frank D. Ray, District Director	Columbus District Office U.S. Small Business Administration
		Louis Stevenson,	Veterans Affairs Officer U.S. Small Business Administration Columbus
		David Ellison,	Vietnam Veterans Leadership Program Columbus
Imperial	9:00 a.m.	Entrepreneurship	
		Albert Shapero,	William H. Davis Chair of American Free Enterprise The Ohio State University Columbus
Imperial	9:45 a.m.	Veteran's Benefit Panel	
		John M. Tripp,	Veterans Business Officer Veterans Administration Cleveland
		Mary Stout,	State Service Officer Vietnam Veterans of America Columbus
		David Aldstadt,	Executive Director Vietnam Veterans Leadership Program Columbus
		Gene Marshall,	Ohio Technical Transfer Organization Columbus
		Steve Mollett,	Director, Office of Veterans Business Affairs U.S. Small Business Administration Washington, DC
		David E. Gray,	Vice President The Sylvania Savings Bank Co., Inc. Sylvania
Imperial	10:15 a.m.	Capital Comments	
		Honorable John M.	Kasich, United States House of Representatives 12th District, Ohio
Imperial	10:30 a.m.	Break	
Suite A&B	10:45 a.m.	That's Business -	Part 1 - (Profit and Loss)
		Randall C. Runk,	CPA & Manager, Management Advisory Services Price-Waterhouse Director, Columbus Business Development Center Program Columbus

(continued on reverse)

		Jerry J. Garman,	Business Management Specialist SBA, Columbus
Great Hall	12 Noon	Lunch: Please sit with owners/planners of similar businesses. Remarks: State Senator Donald "Buzz" Lukens	
Suite A&B	1:00 p.m.	That's Business - Part 2 (Cash Flow Projections) Randall C. Runk & Jerry G. Garman	
Imperial	3:00 p.m.	Break	
Imperial	3:00 p.m.	Break	
Imperial	3:15 p.m.	SBA Programs and Government Contracting	
		Louis Stevenson,	Veterans Affairs Officer SBA, Columbus
		Robert E. Bauer,	Assistant District Director for Finance & Investment SBA, Columbus
		Lisa W. Perrin,	Deputy District Director SBA, Columbus
		Patrick J. Louney,	Industrial Specialist SBA, Chicago
Suite D&E	4:00 p.m.	Meet Your Business Associate: Special session to meet speakers, SCORE counselors and participants. Cash bar. Exhibits open all day and free counseling available from 3 to 6 p.m.	

SBA

U.S. Small Business Administration
Washington, DC 20416

Memorandum

Date: MAR 11 1983

From: AA/F&I

ubject: Availability of Loan Funds

To: All Regional Administrators
District Directors
Branch Managers

In our memorandum of December 22, 1982 we stated that you would be advised promptly in the event of any change in direct funding availability.

On Thursday, March 10, the House Representatives passed a resolution to reject the proposed deferral of funds authorized for SBA direct and guaranty loans in P.L. 97-377. The effect of this action is to make funding available for the fiscal year in the following programs and amounts:

(Dollars in Millions)

	Direct & I.P.	Guaranty
General Business 7(a)	$85.0	$2,510.0
Handicapped	15.0	5.0
Economic Opportunity	45.0	60.0
Energy	5.0	15.0
* Veteran's (Vietnam-era & Disabled)	25.0	-0-
Development Company	-0-	250.0

In no event, are applications for direct loans to be refused based upon unavailibility of funds. If any field offices have been maintaining "chron lists," those applicants listed are to be advised immediately that complete and qualified applications will be accepted for processing.

Fund allotments for general 7(a) and 7(a)(11) loans will be issued in the next few days to regional offices. Funds for HAL, Energy and the newely authorized Veteran's Loan Program, will be provided on a case by case basis upon request through the regional budget officer.

* Added clarification 3/15/83 at District Directors meeting.

Additional guidelines and requirements for Veteran's loans will be provided shortly.

Nothing herein is intended to force the usage of funds in cases which do not meet established Agency lending criteria, but to assure that qualified applicants are not denied access to funds which are available.

Edwin T. Holloway

Edwin T. Holloway
Associate Administrator
for Finance and Investment

U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

INTERIM GUIDELINES FOR ESTABLISHING A VETERANS BUSINESS RESOURCE COUNCIL

FOR IMMEDIATE IMPLEMENTATION

MARCH 1983

Office of Veterans Business Affairs
Washington, D. C.

VETERANS BUSINESS RESOURCE COUNCILS

- The ROLE. SBA's veterans program activity is one of several priorities for our field offices. Because of personnel and budget constraints, and to provide a broader overview, the field offices have an urgent need for assistance to focus on each priority area. This need, in the veterans program involves: 1) promoting and publicizing the effort; 2) defining specific local veteran needs; 3) planning and monitoring program implementation; 4) rallying local veteran support; 5) assessing new directions that the program should take; and, 6) bank and public relations to enhance the business image of veteran entrepreneurs.

- CHARTER. Establishing of Veterans Business Resource Councils will create organizations, which, acting as partners with SBA in this effort, and providing a resource tool dedicated to assisting veterans, will meet the perceived needs. Councils will be chartered by the Office of Veterans Affairs (OVA).

- COOPERATION. The Councils will be independent, non-profit organizations. Council members will be appointed for specific terms of office by the Regional Administrators on the recommendation of the District Directors. There will be an annual evaluation of the performance of each Council. This shall be a self-evaluation, incorporating the District and Regional offices' assessments.

- MEMBERSHIP. Based on the objective of the Council, members should have a personal commitment to assisting veterans in business. Appointments should be limited to individuals who are veterans in business or those, whose positions lend themselves to implementation of the program, such as businessmen, bankers, federal and state or local officials, and local chapter members of the national veterans service organizations. This listing is not exclusive, and the option of selection rests with the field office.

- ORGANIZATION. Presumably each Council will elect a chairperson and will establish committees to carry on the business of the council. Because of the likelihood that the councils will receive some funding from government and private sector sources to assist in carrying out their objectives, each Council should appoint a Treasurer, and establish controls and safeguards.

U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

GUIDELINES
FOR
REGIONAL ADMINISTRATORS & DISTRICT DIRECTORS

SBA
VETERANS BUSINESS PROGRAM

FOR IMMEDIATE IMPLEMENTATION BY
REGIONS AND DISTRICTS

March 1983

Office of Veterans Business Affairs
Washington, D. C.
(202) 653-6387

SBA VETERANS PROGRAM

Regions & Districts

The SBA Veterans Program is a statutorily mandated approach to the administration of the traditional SBA programs with "special consideration" for those who have served in the Armed Forces of the United States.

This special consideration requires each Regional Administrator and District Director to conduct a veterans program that takes extra measures to focus on veterans, especially Vietnam and disabled veterans;

- By maximum outreach activities to veterans.
- By specialized business training in innovative, high tech, and emerging industries and business opportunities in preparation for going into business.
- By assuring that each program and activity of the District reflects sensitivity to veterans and ready access to all forms of assistance.
- Veterans shall receive intensified management and business training and counselling assistance in business planning and operations.
- Veterans shall receive higher priority in the processing and funding of their loan applications in all categories of financial assistance for which they qualify.
- Veteran business owners shall receive full opportunity to participate in each of SBA's programs for which they are eligible and special efforts shall be made to identify and respond to the needs and interests of this business group.
- Special attention shall be given to existing veteran loans in the SBA portfolio and maximum flexibility and assistance shall be given in servicing these accounts, wherever practicable.

Consistent with these goals, each District Director is also responsible for:

- Effectiveness of the veterans business program in their District.

- Establishing and maintaining a permanent liaison with local veteran groups, other Government agencies and the business community to define and implement a program creating private sector partnerships and initiatives in cooperation with the District Office.

- Developing networking related to veterans in business utilizing private sector resources with the Government resources to assist veteran entrepreneurs.

Each Regional Administrator and District Director will appoint as the Veterans Affairs Officer (VAO), a mature individual, familiar with SBA's programs who is at least at the journeyman level, to represent the them in the implementation of these goals, and to serve as ombudsman and advocate for veterans.

Also, each District Director is responsible for assuring that all SBA personnel under their supervision are sensitive to, and familiar with these veterans program objectives, especially those responsible for delivery of SBA services - including SCORE/ACE members, receptionists and administrative personnel.

MAC and PMAS evaluations shall reflect levels of performance and effectiveness.

U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

INFORMATION FOR:
- VETERANS
- VIETNAM-ERA AND DISABLED VETERANS
- VETERANS SERVICE OFFICERS/ORGANIZATIONS
- MEDIA CONTACTS

SBA

BUSINESS LOANS FOR QUALIFIED VIETNAM-ERA AND DISABLED VETERANS AND OTHER VETERANS OF THE ARMED FORCES

The enclosed information provides early interim information on the direct business loan programs for veterans. SBA guarantees such loans made by banks as a first method of financial assistance, then direct loans can be considered where commercial credit is not available. Veterans have priority in processing and funding in all SBA loan programs.

Business loans are not an "entitlement" and therefore proper military service and business lending criteria must be met.

FOR ADDITIONAL INFORMATION CONTACT THE LOCAL SBA DISTRICT OFFICE.
TELEPHONE DIRECTORY UNDER
U.S. GOVERNMENT - SMALL BUSINESS ADMINISTRATION

FACT SHEET

U.S. SMALL BUSINESS ADMINISTRATION

BUSINESS LOANS FOR VIETNAM-ERA AND DISABLED VETERANS

The Program

To provide Vietnam-era and disabled veterans with special financial assistance under 7(a) criteria when credit is not available elsewhere. Such loans may be made to establish and/or assist in the operation and expansion of an existing business. Direct loans will be limited Administratively to $150,000 (statutory limit is $200,000). Guaranty loans are available to eligible applicants under the regular Business Loan Program. If a guaranty loan is available a direct cannot be considered.

Eligibility

Vietnam-era veterans who served for a period of more than 180 days, any part of which was between August 5, 1964 and May 7, 1975, and were discharged other than dishonorably; Vietnam-era veterans discharged for service-connected disability; disabled veterans with compensable 30% or more disability; or, veterans with disability discharge. A business concern must meet SBA's eligibility criteria and be at least 51% owned by eligible veterans, who must direct the management and daily business operations. It is not intended that this program be used by eligible veterans to promote investment interests.

Interest

The interest rate will be the same as for SBA's 7(a) Business Loan Program.

Collateral

Loans must be of such sound value or so secured as reasonably to assure repayment. Available collateral and other guaranties will be required.

Applications for Loan

A small business concern may make application at the nearest SBA office. More detailed information may be obtained from the Veterans Affairs Officer at any SBA office.

Other veterans who do not qualify under this program are entitled to special consideration under the SBA 7(a) Business Loan Program.

MAR 11 1983

DRAFT

Veterans Loan Program

a: Program Purpose

This program is authorized by Public Law 97-377 to provide financial assistance to Vietnam-era and disabled veterans on a direct basis. Guaranty loans under the regular Business Loan program must be used if available before a direct loan can be considered.

All provisions of the regular Business Loan program apply except as specifically provided herein.

b. Eligibility

The small business concern must be owned (a minimum of 51%) by an eligible veteran(s). Management and daily operation of the business must be directed by one or more of the veteran owners of the applicant whose veteran status was used to qualify for the loan. Eligible veterans include the following:

(i) Vietnam-era veterans who served for a period of more than 180 days, any part of which was between August 5, 1964, and May 7, 1975, and were discharged other than dishonorably.

(ii) Disabled veterans of any era with a minimum compensable disability of 30%, or a veteran of any era who was discharged for disability.

The basis for the eligibility determination shall be outlined in the loan report and confirmed in the case file. Vietnam-era tenure will be confirmed by a copy of Form DD 214. To confirm disability, the applicant must secure a letter of disability percentage certification from the Veterans Administration, current within 30 days.

c. Single Loan Benefit

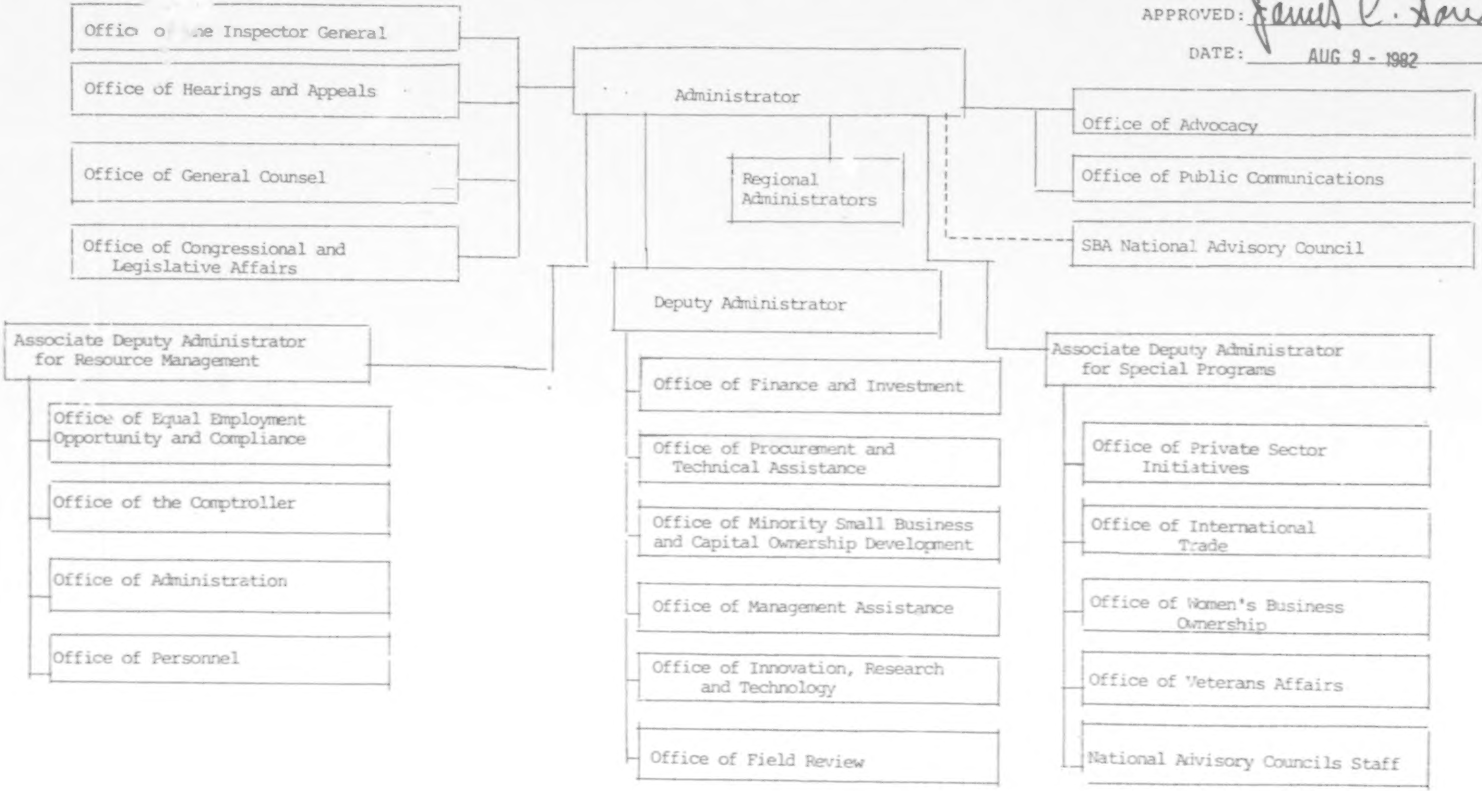
The veteran status of an individual may only be used one time to qualify for an SBA loan. After having received an SBA loan with eligibility based on veteran status, second or refunding loans can be considered only under the regular Business Loan program or based on the ownership by other eligible veterans (51% minimum ownership by persons of unused eligibility). Individuals who formerly received EOLs based on veteran status have used their loan benefit and may not be considered for the Veterans Loan program.

d. Loan Amount

Direct loans will be limited administratively to $150,000.

U.S. SMALL BUSINESS ADMINISTRATION
CENTRAL OFFICE ORGANIZATION CHART

APPROVED: James C. Sanders
DATE: AUG 9 - 1982


Office of the Inspector General
Office of Hearings and Appeals
Office of General Counsel
Office of Congressional and Legislative Affairs
Administrator
Regional Administrators
Office of Advocacy
Office of Public Communications
SBA National Advisory Council
Deputy Administrator
Associate Deputy Administrator for Resource Management
Office of Equal Employment Opportunity and Compliance
Office of the Comptroller
Office of Administration
Office of Personnel
Office of Finance and Investment
Office of Procurement and Technical Assistance
Office of Minority Small Business and Capital Ownership Development
Office of Management Assistance
Office of Innovation, Research and Technology
Office of Field Review
Associate Deputy Administrator for Special Programs
Office of Private Sector Initiatives
Office of International Trade
Office of Women's Business Ownership
Office of Veterans Affairs
National Advisory Councils Staff

U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

OFFICE OF THE ADMINISTRATOR

MAY 4 1983

Honorable Marvin Leath
Chairman, Subcommittee on Education,
  Training and Employment
Committee on Veterans' Affairs
House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

This is in reference to your letter of April 8, 1983, in which you submitted additional questions that members of the Subcommittee had planned to submit to us at the hearing on March 23 on our Small Business Loan Program.

Our response to these questions is as follows:

Question 1:

As you know, $25 million in direct loan funds were appropriated to the Small Business Administration. When may veterans in New Mexico expect to see some of that money?

Answer:

The notice on availability of loan funds, which included funding for veterans, was sent to all district offices, including New Mexico, on March 11, 1983. The enclosed "Fact Sheet" and S.O.P. draft were sent out that same day. Also, all District Directors were fully briefed here in Washington at the National District Directors Meeting, March 15 - 17, 1983. Separate notices were also provided to all Veterans' Affairs Officers in a separate mailing. These funds have been available to all districts since March 11, 1983.

Question 2:

Is the $25 million intended to be over and above amounts to which veterans are entitled anyway?

Answer:

Yes, as we indicated in our statement.

Question 3:

What is planned by the Small Business Administration to educate veterans about the $25 million direct loan program? Who will have the responsibility in New Mexico?

Answer:

By now all the district offices have notified banks and the media of the availability of funds. Also, the major veterans organizations have published notices in their periodicals. The American Legion, V.F.W., and the Stars and Stripes newspapers carried the story earlier in the process. We are also including this notification as part of the veteran business seminars our agency is currently conducting.

I sincerely hope this information will be helpful to you and I look forward to meeting you again in the future.

Sincerely,

Heriberto Herrera

Heriberto Herrera
Deputy Administrator

Enclosure

U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

GUIDELINES
FOR
REGIONAL ADMINISTRATORS & DISTRICT DIRECTORS

SBA
VETERANS BUSINESS PROGRAM

FOR IMMEDIATE IMPLEMENTATION BY REGIONS AND DISTRICTS

March 1983

Office of Veterans Business Affairs
Washington, D. C.
(202) 653-6387

SBA VETERANS PROGRAM

Regions & Districts

The SBA Veterans Program is a statutorily mandated approach to the administration of the traditional SBA programs with "special consideration" for those who have served in the Armed Forces of the United States.

This special consideration requires each Regional Administrator and District Director to conduct a veterans program that takes extra measures to focus on veterans, especially Vietnam and disabled veterans;

- By maximum outreach activities to veterans.
- By specialized business training in innovative, high tech, and emerging industries and business opportunities in preparation for going into business.
- By assuring that each program and activity of the District reflects sensitivity to veterans and ready access to all forms of assistance.
- Veterans shall receive intensified management and business training and counselling assistance in business planning and operations.
- Veterans shall receive higher priority in the processing and funding of their loan applications in all categories of financial assistance for which they qualify.

FAV
3/14/83

- Veteran business owners shall receive full opportunity to participate in each of SBA's programs for which they are eligible and special efforts shall be made to identify and respond to the needs and interests of this business group.
- Special attention shall be given to existing veteran loans in the SBA portfolio and maximum flexibility and assistance shall be given in servicing these accounts, wherever practicable.

VA
3/14/83

Consistent with these goals, each District Director is also responsible for:

- Effectiveness of the veterans business program in their District.

- Establishing and maintaining a permanent liaison with local veteran groups, other Government agencies and the business community to define and inplement a program creating private sector partnerships and initiatives in cooperation with the District Office.

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Also, each District Director is responsible for assuring that all SBA personnel under their supervision are sensitive to, and familiar with these veterans program objectives, especially those responsible for delivery of SBA services - including SCORE/ACE members, receptionists and administrative personnel.

MAC and PMAS evaluations shall reflect levels of performance and effectiveness.

FACT SHEET

U.S. SMALL BUSINESS ADMINISTRATION

BUSINESS LOANS FOR VIETNAM-ERA AND DISABLED VETERANS

The Program

To provide Vietnam-era and disabled veterans with special financial assistance under 7(a) criteria when credit is not available elsewhere. Such loans may be made to establish and/or assist in the operation and expansion of an existing business. Direct loans will be limited Administratively to $150,000 (statutory limit is $200,000). Guaranty loans are available to eligible applicants under the regular Business Loan Program. If a guaranty loan is available a direct cannot be considered.

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Interest

The interest rate will be the same as for SBA's 7(a) Business Loan Program.

Collateral

Loans must be of such sound value or so secured as reasonably to assure repayment. Available collateral and other guaranties will be required.

Applications for Loan

A small business concern may make application at the nearest SBA office. More detailed information may be obtained from the Veterans Affairs Officer at any SBA office.

Other veterans who do not qualify under this program are entitled to special consideration under the SBA 7(a) Business Loan Program.

MAR 11 1983

S.O.P.

DRAFT

Veterans Loan Program

a: Program Purpose

This program is authorized by Public Law 97-377 to provide financial assistance to Vietnam-era and disabled veterans on a direct basis. Guaranty loans under the regular Business Loan program must be used if available before a direct loan can be considered.

All provisions of the regular Business Loan program apply except as specifically provided herein.

b. Eligibility

The small business concern must be owned (a minimum of 51%) by an eligible veteran(s). Management and daily operation of the business must be directed by one or more of the veteran owners of the applicant whose veteran status was used to qualify for the loan. Eligible veterans include the following:

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The basis for the eligibility determination shall be outlined in the loan report and confirmed in the case file. Vietnam-era tenure will be confirmed by a copy of Form DD 214. To confirm disability, the applicant must secure a letter of disability percentage certification from the Veterans Administration, current within 30 days.

c. Single Loan Benefit

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d. Loan Amount

Direct loans will be limited administratively to $150,000.

Statement of

The American Legion

1608 K STREET, N. W.
WASHINGTON, D. C. 20006

by

PAUL S. EGAN, DEPUTY DIRECTOR
NATIONAL LEGISLATIVE COMMISSION
THE AMERICAN LEGION

and

JAMES G. BOURIE, DIRECTOR
NATIONAL ECONOMICS COMMISSION
THE AMERICAN LEGION

before the

SUBCOMMITTEE ON EDUCATION, TRAINING AND EMPLOYMENT
COMMITTEE ON VETERANS AFFAIRS
UNITED STATES HOUSE OF REPRESENTATIVES

on

SMALL BUSINESS ADMINISTRATION VETERAN PROGRAMS

MARCH 23, 1983

STATEMENT OF
JAMES G. BOURIE
DIRECTOR FOR ECONOMICS
THE AMERICAN LEGION

BEFORE THE

SUBCOMMITTEE ON EDUCATION, TRAINING AND EMPLOYMENT
COMMITTEE ON VETERANS AFFAIRS
U.S. HOUSE OF REPRESENTATIVES
ON
SMALL BUSINESS ADMINISTRATION VETERAN PROGRAM

MARCH 23, 1983

Mr. Chairman and members of this subcommittee:

The American Legion wishes to thank you for allowing us the time to present its views on the Small Business Administration's (SBA) Veteran Program. Pertinent documentation is attached to our statement with the request that it be made part of the record.

The American Legion's involvement in SBA veteran affairs dates back to 1969 when the Legion was successful in urging the Administrator to provide programs to veterans, especially returning Vietnam veterans. This urging led to a Field Memo that all SBA programs and policies would be "loosely interpreted" for veterans. However, over the subsequent years, the Legion watched in frustration while the SBA provided no "loose interpretation" of programs and policies for veterans. This failure led The American Legion to mount a compaign in Congress to mandate a veteran program. This action resulted in "special consideration" for veteran in the Small Business Act of 1974 (PL 93-237). However, even today, that wording remains vague and is subject to differing interpretations and gross misinterpretations, as it fails to specifically articulate what the agency is to do for veterans.

Nonetheless, the SBA provided veterans with no "special consideration"; veterans were treated like everyone else. Veterans were not a high priority; in fact, no priority at all. But, in 1980, The American Legion once again entered into a dialogue with SBA officials as regard "special consideration" for veterans. The agency also commissioned a study to review its veteran mandate and agency programs. This "Pechin Report" pointed up the fact that the SBA failed miserably to provide service to veterans. It also made numerous recommendations which, for the large measure, went ignored. What the SBA did accomplish, however, was the scheduling of 100 nationwide veteran workshops and solicited the assistance of The American Legion. Working with the agency, the Legion sponsored over 20 percent of these veteran workshops, more than any other veteran organization or group. And, on balance, they were reasonably well planned and presented; but yet, in our estimation, did not address the real issue or intent of Congress in mandating "special consideration" for veterans. Although we considered the workshops as a mere beginning, we were indeed surprised by the veteran participation, anxious to know more about SBA programs. The American Legion construed this veteran participation as a mandate to pursue an even greater veteran program with the agency.

With the change of administrations in 1981, we continued our dialogue with agency officials to keep the veterans program impetus alive. During these discussions, agency officials remained open to our suggestions and recommendations and desired also to build a better veteran program. Congress also began to wonder just what the SBA was doing for veterans. In March of 1981, the House Veterans Affairs Committee held oversight hearings to review the agency's veteran programs, and it was abundantly clear from agency testimony that little or nothing was being done to implement "special consideration". The American Legion also testified and recommended a 90-day Veterans Task Force be established to thoroughly review the agency's mandate. By way of Mr. Montgomery, Chairman of the full House Veterans Affairs Committee, the SBA accepted that recommendation.

Mr. Frank Swain, Chief Counsel for Advocacy, was given the responsibility of chairing the Task Force. Representatives of at least six veteran organizations were invited as well as representatives of other federal agencies, the Senate Small Business Committee and top SBA officials. The Task Force formed working groups in each major agency area: Loans and Financial Assistance; Management Assistance and Training; Procurement and Technological Assistance and Organization; Policy and Interagency Cooperation. Recommendations of each group were to be submitted to the Task Force and Administrator sometime in 1982. The work of the Task Force far exceeded the original 90-day limit, and with good reason. The American Legion participated in all subcommittee discussions and continued to work with Mr. Swain. We were impressed with the manner in which all officials assumed their duties and responsibilities. Knowing that agency officials also had other pressing responsibilities, we did not learn of one instance where officials refused to participate or otherwise freely give of their time and energies. This, we believe, is due in large measure to the dedication and leadership of Mr. Swain and his staff. They always found time to discuss matters with, at least, The American Legion.

This is not to state that all workings went smoothly; they did not. We often disagreed on many points, such as direct loan activity and loan packaging. Also, it was not a matter of what the agency will or could do for veterans; but what it was capable of doing under certain constraints like staff, responsibilities, resources, etc. But on every contended point, a satisfactory compromise was reached.

The work of the Task Force was concluded in early 1982, with approximately 25 substantive recommendations which, in our view, covered all SBA programs as well as policies. Without prolonged delay Mr. Jim Sanders, the new Administrator, who incidentally chaired the subcommittee on Management Assistance and Training, signed into effect a first-ever SBA Policy Statement on Veterans on May 15, 1982. To The American Legion this was indeed significant, as it placed the SBA on record to implement a well designed and specific veteran program committing staff, resources and energies. In our long years of intricate, and often disappointing, involvement with federal agencies and veteran programs, we cannot recall in recent memory another agency who tackled and implemented a veteran program more expeditiously and sincerely as did the SBA.

But, Mr. Chairman, the true task lies before them, whether the veteran program will enjoy such visibility and support in the time to come. We think it will, at least for the foreseeable future. The SBA has already begun to move aggressively in many areas: establishment of a permanent Veterans Office staffed by capable and knowledgeable individuals under the able leadership of Marshall Parker, Associate Administrator for Special Programs; appointment of Veterans Affairs Officers in all Regional/District offices; distribution of new veterans pamphlets; PR and PIO efforts; Veterans Affairs Officers training seminars planned; greater linkages and cooperation with veterans organizations and the planning and implementation of at least eight special veteran demonstration projects, which we have first hand knowledge of and can attest to their quality and coverage of topics.

Mr. Chairman, The American Legion is not so presumptuous and "almighty" as some others who would sit in absolute critical judgement of all SBA programs and policies towards veterans. We entered into a partnership with the SBA, knowing full well that the agency could simply not drop all other programs and devote all energies to veterans. Nonetheless, the veteran program is on firm footing, but is in a building phase. And like all new programs, it needs time to mature and grow. We do, however, have some concerns. We are acutely aware that the fledgling veteran program is created by administrative fiat, and thus could be terminated at a moment's notice. We do not, under any circumstances, expect this, but it is a reality. Therefore, The American Legion may propose, at a future point, amending the Small Business Act to clearly articulate a veteran program.

We are also aware that many of the SBA's veterans efforts are funded from the $3 million that Congress provided to it earmarked for "veteran outreach" in fiscal 83. Veteran program funding will also be needed in fiscal 84 and perhaps beyond specifically targeted for veterans. The accomplishments and momentum recently gained cannot be halted by lack of funds.

Our concern also encompasses the small business program for Vietnam era and disabled veterans authorized under PL 97-72. This $25 million direct loan program was originally intended to be administered by the VA, but Congress later appropriated it to the SBA. And, although Congress not only authorized it, it was funded until OMB stopped all SBA direct lending activity. This arbitrary action on the part of OMB to flout the will of Congress disturbs us greatly and leaves eligible veterans with a deep sense of resentment and bitterness. And we urge this subcommittee to take whatever action necessary to provide direct loan money to veterans. Vietnam era veterans are now at the age when one contemplates owning a business. In 1982, veterans received 22 percent of all direct loan activity; up from 16 percent in 1981 and 12 percent in 1980, more than any other group.

We further recommend to this subcommittee that regular oversight hearings be held on the SBA's Veteran Progrom progress. This subcommittee needs to be involved to the maximum extent allowable.

Too, the success or failure of a veteran program will depend greatly on the support and involvement of the Administrator, especially in transmitting this commitment to all Regional/District offices. There should be no doubt in any field office as to the veteran program.

We should also urge the SBA to move expeditiously ahead with new "special consideration" regulations. We understand that they are drafted, but awaiting internal clearance.

Mr. Chairman, The American Legion has pledged its cooperation with the SBA in bringing about a responsive veteran program, and we again reiterate that pledge today. We believe the SBA is committed to a viable veteran program.

NATIONAL EXECUTIVE COMMITTEE
OF THE AMERICAN LEGION
INDIANAPOLIS, INDIANA
MAY 5-6, 1982

RESOLUTION NO.: 5

COMMITTEE : ECONOMICS

SUBJECT : SEEK FULL FUNDING FOR SMALL BUSINESS LOAN PROGRAM IN VA

WHEREAS, PL 97-72, enacted in May of 1981, provided, in part, for a small business loan program for eligible veterans in the Veterans Administration; and

WHEREAS, The law established funding for this program at $25 million, but the Veterans Administration and Office of Management and Budget have not recommended any funds for this program; and

WHEREAS, Lack of required funding levels will preclude eligible veterans from this program established by Congress; now therefore be it

RESOLVED, By the National Executive Committee of The American Legion in regular meeting assembled in Indianapolis, Indiana, on May 5-6, 1982, that The American Legion seek full funding of the provisions of PL 97-72 that call for the establishment of a small business loan program for eligible veterans in the Veterans Administration.

The American Legion

Department of Minnesota

STATE VETERANS SERVICE BUILDING · ST. PAUL, [illegible]

MAR 2 1983

February 25, 1983

Mr. James G. Bourie, Director
Economic Division, The American Legion
1608 K Street N. W.
Washington, D.C. 20006

Dear Jim:

A Veterans and Business Conference, co-sponsored by the Minnesota Veterans' Business Resource Council and the U.S. Small Business Administration was held at the Ramada Inn in St. Paul, Minnesota on February 19th and 20th, 1983, with 120 in attendance.

Those attending from the American Legion were G. Sheldon Hanson, Assistant Department Adjutant, Harold Unze, Vice Chairman, Department Employment Committee and yours truly.

Melvin Aanerud from the S.B.A. was the moderator for the conference. Neal Lapidus, C.P.A. from Laurie, Eiger, Besikof & Co. spoke on financial statements. On Saturday afternoon Jerry Cartwright, Small Business Development Ctr. from the College of St. Thomas spoke on being on target with your business plan, followed by Tim Donahue, from the College, spoke on Sales and Marketing Considerations. Next a panel discussion was held by veteran business owners. This concluded Saturdays' session. On Sunday there were round-table discussions on a one to one basis, which included, Open Counseling, Government Procurement and Financing.

The S.B.A. provided many helpful forms and booklets free of charge to all who attended.

I feel the conference was very interesting, informative, and well received by those in attendance. I think special thanks should be extended to George Saumweber from the S.B.A. for his efforts in making this conference a success. I understand he intends to hold more of these type of conferences in other parts of the State. Should be very helpful to all who attend, and the Dept. Employment Committee will do all we can to keep the membership informed.

Sincerely,

Conrad J. Erickson

Conrad J. Erickson, Chairman
Department Employment Committee

cc: Stewart Kunde, Dept. Cmdr.
    Charles Ferguson, Adjutant

The American Legion

Department of Minnesota

STATE VETERANS SERVICE BUILDING ST. PAUL, MINNESOTA [illegible]

MAR 1 1983

February 23, 1983

Mr. James G. Bourie, Director
Economic Division, The American Legion
1608 K Street N. W.
Washington, D. C. 20006

Jim:

Enclosed you will find the kits that were passed out at the SBA Meeting here in Minnesota and I write you this letter just for a summary.

1) Original plans were to have it limited to 100 and there were 150 advance registrations and actual attendance was 120.

2) Attending from The American Legion were Conrad Erickson, Department Chairman, Harold Unze, Department Vice Chairman and myself from the staff.

3) The Legion circularized it in all of our Posts with the pre-registration circular and response was very good.

4) George Saum Weber of the Minneapolis SBA office, Vets Affairs did an outstanding job.

The entire program was highly successful, very informative, people there were concerned and the strangest thing about it was we only had one individual that was interested in purchasing a food and beverage business and no food and beverage representatives.

The people on the staff for the program were excellent, well trained, had their information well in hand and the presentation was great. The round-tables on Sunday morning were well attended and on a one to one basis many questions were answered.

George is receiving inquiries from around the state because of our mailing and we look forward to possibly repeating this type of thing and maybe the 4 corners of the state for more adequate coverage. All in all, I believe the effort was successful and very well put together.

Strongest attendance was in the Vietnam era veteran and we were very glad to see this. Personal comments from many of the people attending and of course knew this because of our caps expressed their congratulations and the fact that the information passed out was of much assistance to them and didn't realize all the services available to them.

We had the Minnesota State Department of Development involved and there were so many passouts from both Federal Government, etc. and the State of Minnesota, it almost required a truck to take them home. We also had a couple of DVEP there, also the VER which was helpful to people looking for help, etc.

All in all, we felt it was a good program and we look forward to continuing to cooperate and the SBA here has set up a resource council to serve on and will continue to work in this area.

Sincerely,

G. SHELDON HANSON
Assistant Department Adjutant

GSH:fk

cc: Conrad J. Erickson, Chairman

Encl.

VVF
VIETNAM VETERANS FOUNDATION

STATEMENT OF THE VIETNAM VETERANS FOUNDATION BEFORE THE SUBCOMMITTEE ON EDUCATION, EMPLOYMENT AND TRAINING, COMMITTEE ON VETERANS AFFAIRS
U.S. HOUSE OF REPRESENTATIVES

March 23, 1983

Mr. Chairman and members of the Subcommittee, thank you for the opportunity to appear before your committee to present the views of our organization. It has been the diligent efforts of the House Committee on Veterans Affairs that has made the difference between discussing the current SBA programs before us today or having no veterans program at all. The VVF recognizes and appreciates this Subcommittee's actions and that of the full Committee chaired by Congressman Sonny (G.V.) Montgomery.

I am Tom Wincek, Chairman of the VVF. I am accompanied by Mr. Robert Sniffen, Executive Vice Chairman and Mr. J. Thomas Burch, Jr., General Counsel of the Foundation. Mr. Burch has recently assumed this role of providing legal advice to the VVF. He is president of the law firm of Burch, Wilhelm & McDonald located here in Washington. Tom was a major with the Special Forces and is considered to be an expert in international procurement law. Most importantly, Tom Burch is an active Vietnam veteran who supports strong small business programs for his peers.

Mr. Chairman, today's hearings are timely and crucial to the interest of Vietnam veterans. Actions taken as a result of these hearings will have a profound effect on the small business interests of disabled and Vietnam veterans.

Over the past four years, the VVF has firmly and consistantly called for the full implementation of the "special consideration" provisions of P.L. 93-237. Since November 3, 1981, we have called for full implementation of P.L. 97-72. It is that same stand that we take today: that is, nothing but full implementation of the current law should be acceptable to veterans.

The VVF requests that this subcommittee provide serious oversight as to SBA's stated objectives and their actual performance. While we feel some progress has been obtained; we do not yet subscribe to the evaluation put forth by the American Legion that "In our long years of intricate and often disappointing, involvement with federal agencies and veterans programs, we cannot recall in recent memory another agency who tackled and implemented a veteran program more expeditiously and sincerely as did the SBA"). We believe that the Legion is overstating the case when one considers that SBA is an agency that has resisted in implementing P.L. 93-237 for some seven years. This is the same agency that resisted funding for P.L. 97-72 through implementation of a deferral of budget authority that was directly counter to the directives of this Congress. It has only been a week ago that Congress was forced to over turn a OMB-SBA plan to expend monies this Congress allocated to Vietnam and disabled veterans to pay off defaulted guaranteed loans.

We take issue with the Legion or others who would present an "everything is great" view to the Congress in spite of the poor record of SBA performance to date. We believe such pronouncements should be reserved for measurable progress as opposed to support of another "new beginning."

Before the VVF enters into a "partnership" with the SBA we will sit in critical judgement of all SBA programs and policies towards veterans based on years of SBA inaction and demonstrated resistance. In our eyes, the SBA is not yet to be commended or patted on the back. We have heard SBA committments and promises in the past. The VVF will reserve positive judgements until SBA earns them. We surely do not believe that time has yet arrived. Until then, the Foundation will resist falling in line with the crowd; rather, the VVF will follow its conscience rather than the crowd when evaluating programs affecting Vietnam veterans.

We do not believe that SBA should be changing the current "special consideration" provisions of P.L. 93-237. They are a clear mandate to the SBA and we do not support exchanging them for any "new special" consideration regulations.

As you will note from the attached 1983 Legislative Goals and Objectives of the Foundation, we do support increased and adequate levels of direct programs for this group. We support full spending of the three million dollars to implement "outreach services" under the provisions of P.L. 93-237.

We invite this Congress and our fellow veterans organizations to provide honest evaluations and proper oversight when focusing on SBA responsibilities to veterans. There is much yet to be done. There are questions to be answered and clarifications yet needed before agreement can be reached. We call for "measured standards of performance" before the latest set of "new beginnings", committments and promises of the SBA are judged to be successful

The VVF believes that the DAV testimony is a more accurate assessment of SBA's prior record and current committment when they state "Little if anything has changed." Thus, the VVF reserves judgement of SBA's current efforts.

Our organization asks this oversight body to focus on what SBA has not done rather than what they have done. This is especially relevant in reference to the twenty nine recommendations of the SBA Task Force on Special Consideration; the SBA Administrators May 14, 1982 Policy Statement on Veterans and the current SBA obligations under P.L. 93-237 and P.L. 97.72.

Mr. Chairman, until SBA proves they will implement the laws of Congress by actually doing so, the VVF will remain critical of their efforts where and when necessary. It is my hope that this subcommittee will continue to pressure the agency by constant oversight, strong guidance and clear mandates.

We can assure you that the VVF will continue to agressively pursue the 1983 goals and objectives submitted to you today. The programs called for in such areas as loan packaging and exporting opportunities are innovative and necessary to the interests of the emerging small businesses owned by disabled veterans and Vietnam veterans.

Your support of these goals are solicited and welcomed.

Mr. Chairman, this concludes our written testimony. At this time, we wish to submit the attached documents for the record.

We are prepared to answer any questions you or other members may have at this time.

VIETNAM VETERANS IN BUSINESS III

1983 LEGISLATIVE GOALS & OBJECTIVES

OF THE VIETNAM VETERANS FOUNDATION

This concept-recommendation paper is based upon some four years of intensive research, learned experiences and cumulative expertise developed by the Vietnam Veterans Foundation. It addresses the vital issues facing disabled and Vietnam veterans in the areas of small business and economic development programs. The following recommendations if implemented, will serve to assist disabled and Vietnam veteran owned businesses.

The VVF recommendations are as follows:

- Congress should ensure that at least 50 million dollars in direct loan funds for FY 1983 be expanded on behalf of Vietnam Veterans. This 50 million figure would be comprised of the funding levels equal to FY 81 and FY 82 Vietnam veteran direct loan funding under the 7A program. FY 83 funding will include a new and additional allocation of 25 million provided by Congress for Vietnam veterans effective March 10, 1983.

  While it is not the policy of VVF to depend on direct loan funding as the major effort for Vietnam veterns loan programs, VVF policy will be to seek direct loan funds where and when these type of monies are set aside for other interest groups. Accordingly, the VVF requests that Congress insist that direct loan funds be included for Vietnam veterans in FY 1984 Budget requests of the SBA. If SBA fails to request these funds, then Congress should ensure that provisions be made to allocate such funds over any SBA or OMB objections. Fund requests should, at the very least, equal to FY 1983 funding for Vietnam veterans.

- Congress should ensure that veterans receive a fair proportion of the three billion dollar guaranteed loan program of SBA. In FY 1980, Vietnam veterans received approximately 185 million dollars of the guaranteed loan monies available. This amount is far less than what Vietnam veterans represent in the adult population. Since there are approximately 30 million veterans and one hundred million adults, it is reasonable for veterans to be eligible for up to one third or one billion dollars of the total 3 billion available in guaranteed loan funds for FY 83. Carrying this equation further, Vietnam veterans (because of "special consideration") should expect to receive up to 500 million per fiscal year.

  Congress should take steps to ensure that this level of funding be implemented by SBA in setting "designated authority" levels for Vietnam veterans in FY 83 and FY84 budget requests.

- Oversight hearings by the appropriate congressional committees should be scheduled to determine whether the small business administration is serious about its latest set of committments. Specific focus should be brought to bear on SBA Administrator Jim Sanders' Veterans in Business Policy Statement issued on May 14, 1982 and SBA's recent task force report on special consideration for veterans in business which contains 29 specific recommendations for improvement of services to veterans as provided for under P.L. 93-237. Reports on SBA's progress in these efforts should be mandated by the Congress.

- Interest rates for disabled and Vietnam veterans obtaining loans under Title III of P.L. 97-72 should be given at favorable rates. Additionally, serious consideration should be given to setting lower interest rates for disabled and Vietnam veterans obtaining SBA guaranteed loans. These lower interest rates will assist disabled and Vietnam veterans in obtaining loans and improve their small business opportunities.

- Encourage and perpetuate an inter-agency effort amongst the Federal agencies to develop more specific policies, procedures, and regulations designed to assist disabled and Vietnam veterans. Procurement programs should be developed within the Department of Defense, GSA, VA and other government agencies. These programs should include methods by which businesses owned by disabled and Vietnam veterans would be assisted in obtaining subcontracting opportunities as provided for under P.L. 95-507. Small business utilization offices (OSBU) throughout the Federal Government, as well as the procurement center representatives of the SBA need to be given a stronger role and direction to include disabled and Vietnam veteran owned business in their current procurement activities.

- Major Government contractors should seek out qualified disabled and Vietnam veteran owned businesses and award subcontracts. Defense contractors should especially develop "partnerships" with disabled and Vietnam veteran owned business in competing for Defense contracts.

- The procurement automated source system(pass) of the SBA needs to be developed as a valid mechanism to assist registered small businesses. Federal agencies purchasing products and services should utilize disabled and Vietnam veteran owned businesses registered with pass. SBA should expand its efforts to contact Vietnam and disabled veteran owned businesses and have them register their company with pass.

- Minority disabled and Vietnam veteran owned businesses should be identified so that they can participate in the SBA's 8(a) procurement program.

- Special efforts should be made to include Vietnam and disabled veteran owned businesses in loans provided by the SBA's Mesbic's and Sbic programs. Special Mesbic's designed to provide capital to disabled and Vietnam veterans, should be conceived, developed and licensed by the SBA.

- Banks should be encouraged to start special programs aimed at assisting disabled and Vietnam owned businesses.

- Develop Vietnam veteran business development centers aimed at providing disabled and Vietnam veteran owned businesses with information and direct assistance on a multi-service level. Financing, loan packaging, product marketing, private and government procurement and contracting opportunities, plus other business opportunities need to be developed in order to properly serve these businesses. Similar efforts have currently been launched by the U.S. Commerce Department's Minority Business Development Agency. Thirty-five million dollars (35,000,000.00) for one hundred consulting centers under private contracts in some thirty-seven states, have been staffed with experts in accounting, inventory control, bid estimating, contract negotiations, and other needed areas of technical management and contracting assistance. The VVF cites this program as the very same type of program that is needed if disabled and Vietnam veteran owned businesses are ever going to be properly serviced, given the budget restraints and lack of SBA resources. This priority objective of the VVF should be considered, authorized, developed and budgeted by this very congress.

- The recently established Office of Veteran Business Enterprise, currently under the Office of Advocacy of the SBA, should be empowered with the necessary staff resources, line authority and leadership personnel to ensure effective actions on the part of veterans, especially disabled and Vietnam veterans. The VVF recommends that Congress closely review this newly created office in an effort to ensure that the authority and direction granted truly exists within the SBA structure. If the OVBE is not presently empowered to carry out the namdates of Congress, then elevation of this OVBE is recommended. Consideration should be given to the creation of an Associate Administrator of Veteran Affairs, to coordinate veterans programs throughout the agency. Codification of this newly created office should be enacted to insure the perpetuation of this office by law, rather than policy statement as is the present justification for SBA's veterans efforts.

- Innovative methods and appropriate programs designed to strengthen and ensure business opportunities for disabled and Vietnam veteran owned businesses at the state levels need to be implemented. Vietnam Veterans Business Councils such as the one currently under consideration by the Maryland state legislature is highly recommended by the VVF as ideal vehicles for SBA's specific focus.

- Congress should take a lead role in instructing SBA and other Federal agencies to develop export opportunities for small and medium sized veteran owned businesses. Current or new programs need to screen in these businesses in such other agencies as the International Trade Administration of the Department of Commerce; the Agency for International Development of the Department of State and the small business program of the Export-Import Bank. The time is ideal to design and implement programs for these veterans businesses under the Export Trading Act of 1982 (P.L. 97-290).

[From the Stars and Stripes, Jan. 6, 1983]

28 MILLION EARMARKED FOR DISABLED AND VIET VET BUSINESS PROGRAMS—7-YEAR-OLD SBA MANDATE FUNDED

WASHINGTON, D.C. (S&S).—the waning days of the 97th Congress produced a major victory on behalf of disabled and Vietnam era veterans in the area of small business programs. Under HJ Resolution 631, Congress finally put funds behind public laws previously enacted on behalf of these groups, one of which was seven years waiting.

H.J. 631 which was signed by President Reagan on December 21, 1982, specifically earmarked $25 million in direct business loans for disabled and Vietnam era veterans in accordance with Title III of Public Law 97-72.

PL 97-72 was signed on November 3, 1981 by the President who declined to appropriate funds at that time.'

An additional $3 million was provided by the Congress for "an outreach program for disabled and Vietnam veterans in accordance with the provisions of P.L. 93-237."

Public law 93-237 has been on the books since December 1975, but had never received any implementation funding until the 97th Congress. The Law mandates SBA to implement "special consideration" for veterans, provides for appropriate staff to assist them and calls for a full service program as well as media outreach efforts to identify their needs.

Congressman "Sonny" Montgomery (D-MS), Chairman of the House Veterans' Affairs Committee, who introduced P.L. 97-72 and held oversight hearings on the measure, Rep. Tom Daschle (D-SD), Chairman of the Vietnam Veterans in Congress, Rep. Dave Bonior (D-MI), and Rep. Bob Edgar (D-PA) put strong efforts behind the measures.

Other Members who played a large role in ensuring that the vital funds were allocated are Representatives Ed Boland (D-MA), Chairman House Appropriations Subcommittee on HUD and Independent Agencies; Neal Smith (D-IA), Chairman of the House Appropriations Subcommittee on Commerce, Justice, State and Judiciary; Barney Frank (D-MA), and Sen. Lowell Weicker (R-CT), Chairman of the Senate Small Business Committee as well as Chairman of the Senate Appropriations Subcommittee on Commerce, Justice, State and Judiciary.

"These Congressional powerhouses and their staffs were vital in implementing the funds" said Tom Wincek, Chairman of the Vietnam Veterans Foundation, which took up the challenge over three years ago to have the 1975 law implemented.

[From the Stars and Stripes, Feb. 3, 1983]

MARYLAND MOVES TO ASSIST SMALL BUSINESS LAWS—STATE TO CREATE VIETNAM AND DISABLED VETERANS BUSINESS RESOURCE COUNCIL

WASHINGTON, D.C. (S&S)—On December 21, 1982, President Reagan signed (HJ 631)—the concurrent resolution which made available appropriations in the amount of $25 million for business loans to disabled and Vietnam era veterans in accordance with Title III of Public Law 97-72.

The conferees also agreed, and President Reagan by his signature concurred, that an additional three million dollars would go for an outreach program for disabled and Vietnam era veterans, in accordance with the provisions of Public Law 93-237.

Moving with unusual speed, the State of Maryland became one of the first states in the nation to launch an effort that will assist in the full and complete implementation of these public laws.

To accomplish this objective and more; State Sen. Frank J. Komenda (D) Prince Georges County, Maryland; introduced Senate Joint Resolution No. 3.

SJR 3 requests the Governor of the State to establish a Vietnam and Disabled Veteran's Business Resource Council to assist these businesses in obtaining Federal, state, county, and municipal financial assistance and contracts.

In introducing his resolution of January 17, 1983 before the Senate, Komenda said, "While I am a veteran of an earlier war, it is the Vietnam veteran who is in need of our greatest assistance. Let us from the great state of Maryland be among the first to provide our younger vets the same type of opportunities provided their older brothers and fathers.

"In fact, I know the veterans of earlier wars feel this way. The creation of a Vietnam and Disabled Veterans Business Resource Council is certainly a step in that direction," Komenda said.

The council will perform the following duties and responsibilities:

Create a list of Vietnam and disabled veteran-owned businesses in Maryland;

Distribute the list to the businesses on the list so that Vietnam and disabled veteran-owned companies can use the goods and services of other such businesses;

Disseminate information on programs available to assist Vietnam and disabled veteran-owned businesses;

Conduct educational programs in the community which address the needs of the Vietnam and disabled veteran-owned businesses in Maryland;

Assist Vietnam and disabled veteran-owned businesses in applying for financial assistance provided by existing programs; and

Assist Vietnam and disabled Veteran-owned businesses in the procurement of Federal, state, county and municipal contracts.

Maryland's business council will be composed of 15 members appointed by Gov. Hughes and will include representatives from the Disabled American Veterans; other major veterans organizations; the Maryland Vietnam Veterans Leadership Program and the Vietnam Veterans Foundation.

Other representatives will be asked to serve from the SBA, Maryland's Department of Economic and Community Development, and members from the private sector to specifically include the banking industry. At least two major Maryland banks have indicated their strong interest in council membership and its upcoming activities.

In introducing SJR 3, Komenda pointed out that it was the policy of the State to retain, enhance and attract business.

The resolution further states that the assistance of Vietnam and disabled veterans would further the economic development policy of the State.

As an indication of the strong interest generated by this resolution, State Sen. Norman R. Stone, Jr., Chairman of the Maryland Senate Constitution and Public Law Committee, immediately held a hearing in regard to the measure.

Testifying before the Committee was Claude Callegary, Chairman of the Maryland Veterans Commission; Roy Maddox, from the Maryland Joint Veterans Organization Legislative Committee; Sen. John McNulty, representing the American Legion; Robert Sniffen, Executive Vice Chairman of the Vietnam Veterans Foundation; and Ed Kreiner, a national consultant with the Vietnam Veterans Leadership Program.

Callegary presented an eloquent positive statement before the committee and Maddox indicated that his organization's support included that of the VFW, AMVETS, DAV and the World War I veterans' groups.

Kriener of the VVLP indicated that the concept of such a business council for these veterans should and probably will be introduced in most of the some forty states where VVLP is underway.

Sen. Komenda indicated that he expected swift passage in the Maryland Senate and the same positive reaction in the House of Delegates. The Council would go into effect in July 1983.

Maryland's 177,000 Vietnam veterans and 77,000 of the State's disabled veterans would have the opportunity to qualify for SBA's business outreach and assistance program.

"We call upon this agency and every level of government to get behind our effort, Komenda said.

"We here in Maryland will do all we can to assist the SBA to carryout the intent and content of these public laws," Komenda concluded.

[From the Stars and Stripes]

THE $25 MILLION WIPEOUT

One does not expect a divinity school graduate to hold any expertise in force tactics, but once again, Dave Stockman has proved himself to be the exception.

The inimitable Director of the White House Office of Management and Budget has mounted another frontal assault on Vietnam veterans' programs, this time via the Small Business Administration.

Stockman has submitted a deferral of budget authority that seeks to reprogram direct loan monies appropriated in the concurrent resolution—Public Law 97-377.

The message transmitted to the Congress that appeared in the Federal Register (Vol. 48, No. 25, Feb. 4, 1983) is a classic case of subterfuge at best, and at the very least, OMB gobbledy-gook that attempts to obscure an effort to obliterate monies

Congress had previously appropriated for energy-related loans, minority groups, the handicapped, and Vietnam veteran loans during FY '83.

Instead of implementing the will of the electorate, OMB would reprogram the funds for the purpose of purchasing defaulted guaranteed loans, without requesting additions to already appropriated levels.

An OMB staffer summed it up neatly: "David Stockman is stomping on the will of the Congress like squashing a bug. The Administration is simply, once again, seeking to kill all direct loan program."

We quote the justification and the intent for the request, as follows: "The Continuing Resolution provided $338.7 million as a capital appropriation for the Business Loan and Investment Fund for FY 1983. The amount provided for $210 million in direct lending and $3 billion in guaranty lending. A total of $143 million has been deferred. ($137 million for direct lending and $6 million for guaranty tending—first year purchase of 1% X $600 million program reduction). This action is being taken to preserve 1983 direct loan funds pending congressional action on a proposed change in the FY 1983 Continuing Resolution language. Such funds would be used for the purchase of defaulted guaranteed loans without requesting additions to already appropriated levels.

"It is estimated that the demand for SBA to purchase guaranteed loans will be in the $700 million range, exceeding original projections made last year by $300 million. This deferral will reduce the direct and guaranty lending for each of the credit assistance programs under Section 7(a) of the Small Business Act to $73 million in direct lending and $2.4 billion in guaranty lending, levels consistent with the President's budget. Funds made available through this action will help ensure that SBA is able to meet its commitment to purchase guaranteed loans without adding to the deficit." (Emphasis supplied).

In other words, OMB would have Congress reprogram the monies, including $25 million appropriated for Vietnam veterans, to pay for SBA's past incompetence in guaranteed loan program defaults.

Eight years ago, SBA was mandated to provide special consideration for Vietnam veterans; the pilot projects to launch that effort began just one month ago.

It is difficult to qualify SBA's delay, and to make Vietnam veterans the scapegoats of SBA's previous sins, mistakes and miscalculations in the area of bad loans and poor debt collection methods on previous transactions is impossible.

A January 31, 1983 SBA press release touted the Administration's specific intentions on direct loan activity. It stated that the FY '84 budget proposals would eliminate business loans made directly by SBA, except for a $41 million direct loan authorization to help those small business investment companies which make loans to minority-owned small firms.

SBA Chief James Sanders said taxpayer-subsidized direct loans "create a competitive advantage for a few firms over many others that are equally deserving but unable to obtain a loan directly from SBA."

In past years, the majority of SBA's business loans have been of the guarantee type, that is, those made by a private lender and then guaranteed up to 80% by the agency.

* * * noted that "greater reliance will be delegated qualified private lenders in processing, servicing and liquidating SBA loans. In turn, SBA will concentrate its resources in making sure that quality loans are made."

Because of greater involvement of private lenders in small business financing, he noted, "the President's proposed authorized level for business loans is adequate to meet demands on our agency."

What claptrap.

The Congress' approval of $25 million in direct loan monies for Vietnam and disabled veterans is a demand on SBA.

The President's commitment in P.L. 97-377 is also a demand on SBA.

Stockman's divine ability to take back what the Congress and the President giveth and call it a deferral, is the latest breach of promise to our youngest veterans.

The next move is up to Congress. Since a resolution overturning deferral is highly privileged, any one Congressman or Senator could introduce such a measure to the floor of either body immediately.

And approval of such a resolution is needed in just one or the other Congressional body—without the approval of the President.

Neil Smith, the Republican Representative from Iowa who chairs the Subcommittee for Appropriations for SBA, has submitted House Res 73/74, designed to negate Stockman's unholy writ.

It is hoped that Sen. Lowell Weicker (R-CT), Chairman of the Subcommittee responsible for the $25 million in appropriations, will be sufficiently tuned in to follow through on his side of the aisle.

At the very least, every veteran should express his contempt for this closet attack to his Congressional representative.

And quickly. Twenty-five million could slip through the crack without notice, in a town where billions disappear.

[From the Stars and Stripes]

COMMITTEE DISAPPROVES OMB-SBA LOAN FUND DEFERRAL—REPRESENTATIVE NEAL SMITH GAINS POSITIVE VOTE FOR VIET VETS

WASHINGTON, D.C. (S&S).—In a rapid turn of events, Congress through the House Appropriations Committee has begun the process of slapping back OMB Director David Stockman's attempt to thwart Congressionally-approved funding for direct loans anxiously being awaited for by Vietnam veterans.

Congressman Neal Smith (D-IA), introduced H. Res. 73 on February 10, 1983 which would disapprove OMB's efforts to avoid spending some $143 million for direct loans Congress had previously appropriated for energy-related loans, minority groups, the handicapped, and Vietnam veterans loans during fiscal year 1983 by the Small Business Administration.

The OMB impoundment resolution was proposed by the Administration in a transmittal message pursuant to Section 1013 of the Impoundment Control Act of 1983 on February 1, 1983. The Appropriations Committee vote on Congressman Smith's resolution took place on March 3, 1983.

This means that the Appropriations Committee has voted to overturn OMB's action and the resolution will be reported without amendment to the Full House of Representatives with the recommendation that the resolution be passed.

A full House vote is scheduled for this week. If passed, the monies which include twenty-five million for Vietnam veterans, will have to be expended by the SBA without further delay.

Congressman Smith, Chairman of the Subcommittee on Appropriations for Commerce, Justice, State and the Judiciary, said he believed that termination of the SBA direct loan program would deprive a substantial number of small businesses of vital resources and would do so at a time when the jobs which would be stimulated by such resources are critical to the Nation's economic recovery effort.

Smith served in the Air Force in World War II. His military citations include nine Battle Stars, the Air Medal, four Oak Leaf Clusters and the Military Order of the Purple Heart.

Smith, along with other Members of Congress including Reps. Tom Daschle (D-SD) and Bob Edgar (D-PA) have long called for implementation action of funding for Public Law 97-72 which was signed into law by President Reagan on November 3, 1981.

While all of the major veterans organizations played a significant role in the small business loan issue, it has been the determination of the Vietnam Veterans Foundation that is largely responsible for the funding being made available to disabled and Vietnam veterans-owned businesses.

Tom Wincek, Chairman of the VVF said, "There is one more hurdle for Vietnam veterans businesses in need of loans to overcome besides a positive vote by the full Congress. That hurdle is related to how long SBA will delay in designating needed regulations."

It has been reported that Marshall Parker, Associate Deputy Administrator of the SBA, committed the agency to speedy implementation of any needed regulations at the last meeting of the SBA Task Force on Veterans in Business. Parker said that regulations governing the $25,000,000 funding could be implemented within thirty days. He also said that SBA was already working on such regulations in anticipation of Congress providing such funds.

STATEMENT OF PHILIP R. MAYO, SPECIAL ASSISTANT, NATIONAL LEGISLATIVE SERVICE, VETERANS OF FOREIGN WARS OF THE UNITED STATES

Mr. Chairman and Members of the Subcommittee, on behalf of the 1.9 million members of the Veterans of Foreign Wars of the United States, I greatly appreciate the opportunity to offer our views with respect to the Small Business Administration's (SBA) delivery of assistance and service to veterans.

Since the last hearing on these matters, Mr. Chairman, we believe considerable progress has been made in implementing special consideration in Small Business Administration programs for veterans. We have found the SBA staff and Administrator to be very cooperative in efforts to achieve a meaningful program of special consideration for veterans. The present Administrator has exhibited great sensitivity to this issue and has been actively involved in its progress from the outset. We are grateful for these actions and commitments; we envision further and greater cooperation in the future.

Tangible progress is demonstrated, Mr. Chairman, in the SBA's establishment of the National Veterans Task Force on "Special Consideration for Veterans." This Task Force involved the veteran's service organizations and SBA program chiefs in a series of conferences, and culminated in a number of recommendations that were incoporated into the first agency-wide policy statement on implementation of special consideration in May of last year.

In addition, the Office of Veterans Business Affairs was established to be the advocate for veterans in business and to manage efforts aimed at assisting the veterans entrepreneur.

Mr. Chairman, the SBA has also undertaken a number of pilot training and management assistance projects and will be drawing upon the experience derived from them to conduct additional seminars throughout the nation.

Bearing testimony to the positive effect generated by all these activities are the statistics, which we will not delve into, that we know the SBA representatives will discuss fully with the Subcommittee today. It will suffice for us to observe that significantly increased veteran participation in loan activity will be amply substantiated.

As you know, Mr. Chairman, $3 million was made available to the SBA for the purpose of outreach for veterans. We believe these funds may best be utilized in several areas. First, a significant portion of those funds should be set aside to bring on board additional personnel to assist or become Veterans Affairs Officers (VAO). Since, at present, these officers have other responsibilities in district offices, their time to assist veterans is diluted; and we believe obstacles to hiring such individuals (such as hiring freezes) may be overcome by administrative ingenuity. Additional personnel will bring about better outreach.

Second, funds should be utilized to construct SBA/veterans booths to be placed at veterans' organization conferences and conventions—as this would increase the flow of information regarding SBA/veterans programs.

Third, adequate funds should be set aside for VAO conferences. These officers cannot appreciate the magnitude of this effort within the SBA without being well informed.

Fourth, there is a definite need for the publication of a comprehensive VAO manual, as well as pamphlets and brochures, that may be used to inform veterans of the various SBA/veterans programs.

Fifth, the establishment of a SBA/veteran hotline (such as an 800 number) might be used to provide interested veterans with current information regarding the availability of funds or other worthy information.

The VFW recognizes that much still needs to be done with respect to the SBA and its activities for veterans. But we also recognize when credit is due as a result of recent efforts, the SBA deserves such credit.

Mr. Chairman, we appreciate the attention this Subcommittee and its staff have given to veterans whose needs fall within their purview. We will be happy to continue working with the Subcommittee to ensure uninterrupted progress with respect to meeting the needs of veterans who entertain entrepreneurial ambitions.

STATEMENT OF RONALD W. DRACH, NATIONAL EMPLOYMENT DIRECTOR, DISABLED AMERICAN VETERANS

Mr. Chairman and members of the subcommittee, on behalf of the more than 750,000 members of the Disabled American Vieterans, I want to take this opportunity to thank you, Mr. Chairman and members of the Subcommittee, for conducting these hearings to determine the extent to which the Small Business Administration (SBA) has carried out its mandate to assist veterans, specifically with respect to efforts made to assist disabled and Vietnam Era veterans in establishing their own businesses.

As you know, the issue of SBA's efforts to deliver meaningful services to this nation's veteran population has been a subject of great concern to us for the last several years.

Mr. Chairman, prior to 1980 SBA did little, if anything, to comply with the mandates of Public Law 93-237 enacted January 2, 1974. This law, among other things, required SBA to give "special consideration to veterans of the Armed Forces of the United States and their survivors or dependents" in establishing their own businesses. Approximately two years later, on December 8, 1975, SBA finally issued regulations to implement that section of law. Evidence, we believe, of SBA's lackluster effort to meaningfully provide assistance to our nation's veterans.

As you are aware, Mr. Chairman, there are approximately 30 million living veterans, of whom approximately 9 million served during the Vietnam Era. Of the more than 2 million disabled veterans currently receiving compensation benefits for disabilities incurred in or aggravated by military service, more than 500,000 are of the Vietnam Era.

Even today in this sophisticated era of computers and recordkeeping, very little is known about the entrepreneur status of disabled and Vietnam Era veterans.

When we testified before the Senate Select Committee on Small Business in 1980 we reported the following:

"From previous studies we are able to identify that of approximately 14 million small businesses, 4.4 percent and 4.6 percent are minority and women owned, respectively. No data are available as to the number of disabled and/or Vietnam Era veteran owned businesses."

Little, if anything, has changed. We recently checked with SBA to determine if any current data are available regarding the assistance provided to veterans, their dependents and survivors and, as you might imagine, it remains nonexistent. It is inconceivable, Mr. Chairman, how SBA portends to provide various types of services to our veteran population without any knowledge of their past record or statistics concerning the small businesses owned and operated by the veteran community.

Recently, Mr. Chairman, officials at SBA have initiated some positive steps to provide needed assistance to the veteran population. Based on SBA's past record, however, we must question their commitment, particularly at top management levels, to emphasize their mandate to give special consideration to veterans—an attitude which prevails throughout the agency.

We continually hear that SBA field personnel know little, if anything, about ongoing veteran programs or policy changes regarding veterans. Apparently, little direction has been provided to the Veterans Affairs Officers to keep them abreast of changing policy, regulation and law.

There appears to be a lack of consistency with respect to the position of Veterans Affairs Officer. By that we mean, Mr. Chairman, that whoever is convenient at the moment may be appointed as the SBA's Veterans Affairs Officer for that week. Continuity of services to veterans is nonexistent as is the assistance provided at most field stations.

At this point, permit me, Mr. Chairman, to briefly discuss Public Law 97-72 which, among other things, established a Small Business Loan Program to be administered by the VA at a cost of $25 million. This Loan Program was designed to provide direct loans to certain disabled and Vietnam Era veterans to "acquire, expand, or start a small business." Regrettably, at the time of enactment of the authorizing legislation, the $25 million was not appropriated. In December 1982, the "Continuing Resolution," making funds available for certain fiscal year 1983 programs, provided $25 million to SBA in direct loan authority to assist these veterans.

However, as you know, the Office of Management and Budget requested "reprogramming" these direct loan funds. This appropriation was, however, recently released to SBA based on the threat of Congressional intervention. We are pleased that the Congress has taken positive steps to insure that SBA expends these funds as originally intended. We will continue to watch closely to assure that your mandate is compiled with.

However, Mr. Chairman, we are concerned over whether or not the $25 million provided to operate SBA's program for veterans is an addition to existing direct loan authority. It appears that SBA has already expended approximately $23 million in direct loans to veterans in fiscal year 1983. Does this mean that once SBA has provided an additional $2 million in fiscal year 1983 that the commitment to the veterans' program has been met? Was this the original Congressional intent? We think not.

I would like to share with you, Mr. Chairman and members of the Subcommittee, a recent letter we received from a disabled veteran in Tennessee.

The case I wish to discuss is, perhaps, a typical one—one which the various veterans' organizations have been complaining about for several years.

The individual in question has been attempting to secure a direct loan from SBA since 1979. He has requested intervention through various Congressmen, Senators, prior SBA Administrator Weaver and former VA Administrator Max Cleland, all to no avail. I would like to point out several passages from the correspondence received in this particular case:

1. They maintain only a direct loan program for minorities. (Letter to veteran from Governor Lamar Alexander of Tennessee).

2. Carefully explain to him that our direct funds are targeted to certain groups and that the funds for loans to other than minorities for this fiscal year have been exhausted * * *. We have not as yet been allocated funds for direct loans for the new fiscal year and it is anticipated that when they are allocated that they too will be targeted toward certain groups. It is anticipated that 65 percent direct funds for the fiscal year will be targeted toward minorities and 16 percent will be targeted to women. (Letter to Senator Howard H. Baker from SBA District Director regarding the veteran in question).

As part of a response to our inquiry, DAV was informed:

"We believe that the circumstances which have existed in Mr. ——'s case are no longer present in SBA lending programs."

However, Mr. Chairman, I was recently informed that in spite of his efforts, this veteran has still not received any definitive or substantive assistance from SBA.

Accordingly, we have again requested SBA's intervention to assure priority consideration is given to this veteran considering the funding available under the recently appropriated $25 million.

In conclusion, Mr. Chairman, we believe that continued oversight needs to be exercised to assure that all provisions of law relating to SBA's mandate to provide special assistance to veterans are strictly enforced.

This completes my statement. I want to thank you and the members of your Subcommittee for allowing me the opportunity to address you here today.

STATEMENT OF JOHN F. TERZANO, VIETNAM VETERANS OF AMERICA

Mr. Chairman, thank you for the opportunity to appear before this committee today to present the views of Vietnam Veterans of America on "Special Consideration for Veterans" by the U.S. Small Business Administration. As most of us in the veterans community are all too painfully aware, since enactment in 1974, Public Law 93-237 has generated a great deal of sound and fury signifying relatively little in the way of substantive consideration or assistance to veterans.

Vietnam Veterans of America is, however, encouraged that the current administration of the SBA does indeed intend to try to be in compliance with the law, and unlike three previous administrations, to be law abiding and positive in their dealings with veterans, particularly toward Vietnam and disabled veterans. On this positive side of the ledger, much has been accomplished in the past year. The National Veterans Task Force on "Special Consideration for Veterans" resulted in the first agency wide policy statement in May 1982, beginning the process (albeit eight years later) of making the congressional intent of Public Law 93-237 a reality.

Since last May there has been an Office of Veterans Affairs established within the Office of the Associate Deputy Administrator for Special programs, headed by Mr. Stephen Mollett and Mr. Marshall Parker, respectively. Under the guidance of these individuals, SBA has moved to implement pilot programs in Management Assistance and Training in six metropolitan areas, with a view toward implementation in all SBA District Offices nationwise during fiscal 1984.

Perhaps the two most important developments are, first, creation of a "Veterans Business Resource Council" (VBRC) in each District office, with representatives from all veterans service organizations, the Veterans Administration, the Veterans Employment Service of U.S.D.O.L., and other public and private agencies that can and should be of assistance in this effort. The basic function of the VBRC is to be the formal manifestation of a working partnership to discern and substantively address the needs of present and potential veteran business owners in a given area. It is useful and instructive to bear in mind that the SBA is a very small federal agency, with a current authorized level of less than four thousand employees nationwide. We would point out that the SBA has been asked to do more with significantly less resources in the past year.

Second, there appears to be a strong commitment to veterans within the agency for the first time in our experience. Hon. James Saunders, Administrator, and some staff appear to demonstrate both a professional and a personal commitment to assisting veterans in a meaningful way. The trust level on both sides, which had been little to nonexistent due to eight years of firing slogans past one another, appears to be finally developing. Advancing beyond adversarial (or worse) attitudes between the veterans community and the SBA, toward a common understanding that rebuilding the American economy to a truly competitive position in these times depends in no small measure on the leadership and skills of present and potential Vietnam veteran entrepreneurs. Out of that common understanding must emerge a positive and continuous working relationship that commits the SBA, the veterans community, and others to provide assistance, information, and training to veterans. It is the individual veterans themselves who must, and we believe will, provide the spirit and tenacity necessary to utilize these skills to move our country forward successfully into a post-industrial economy that ensures our future as a nation.

Lest we paint too rosy a picture, there is a down side to the ledger as well. First, there is the very serious question that must be answered as to who delayed the infamous $25 million in special direct loan funds for six months? What are the guidelines for these funds being let? Is the SBA clear that these funds are to be in addition to efforts for veterans in the general direct loan program? It is important to bear in mind that this $25 million is so little as to be only a token gesture. Although it may assist five to ten veterans per state, which would be five to ten more veterans in each state who are employing people and contributing to the gross national product, we would hope the Congress would see fit to shift more in this direction, as it adjusts to what in reality is the American public investment portfolio's best bet. In short, more than $25 million should be in order for next fiscal year.

Second, while Vietnam Veterans of America is not in favor of "throwing money at problem areas", nor of spending federal dollars for the sake of spending, we have no doubt that the entire $3 million appropriated to the SBA to implement Public Law 93-237 can be spent wisely, effectively, and efficiently if there is the will to do so. I have available here, Mr. Chairman, copies of correspondence from my organization to the SBA, dated in late January and early February, as to suggestions for how to use these funds to meet needs that are apparent. Third, and possibly the determining factor in the second point above, is that the Office of Veterans Affairs needs more staff, as it is essentially a four person operation at present, which is clearly unrealistic. Some of what could be read as "foot-dragging" may be due to the fact that a very few people are attempting to make up for eight years of inaction in a very short span of time. If so, let us see a commitment to use the $3 million for what it was intended, and provide staff to get the job done.

Let there be no mistake about the fact that Vietnam Veterans of America is on record for full expediture of the $3 million dollars in SBA for veterans, as the Congress intended, and that no part of this rather modest initial investment be diverted to other purposes within SBA or to other agencies.

Fourth, it is of concern to Vietnam Veterans of America that regulations that should have been promulgated within sixty days of the SBA Administrator's policy statement of last May have not yet been published. Moreover, we have noted that a few SBA people in Washington and the "pilot" cities seem to be working hard, but there seems to be a lack of noticeable strong leadership by the District Directors and the Regional Directors in this implementation process, to date. The question must be asked as to when we will begin to see visible support from these key SBA personnel.

Fifth, we are concerned that there has not been an apparent effort to move expeditiously in either employing the Small Business Development Centers (SBDC) as envisioned by the Task Force, nor have there yet been additional "curriculum packages" developed as promised.

Lastly, we at Vietnam Veterans of America are puzzled that this President's Administration is not putting a real commitment into revitalizing the entire Small Business Administration, and expanding rather than eliminating staff. As you are undoubtedly aware, Mr. Chairman, the total SBA staffing level has been reduced by more than fifteen percent. An effective and strong SBA is more important now than ever, as we try to retool our industrial plant capacity, our work force, and indeed our entire economic structure to meet the challenge of changed economic conditions. Americans, and particularly American veterans, are still imaginative, "Can Do" people, if they are equipped with the skills to get the job done.

In summation, we remain guardedly optimistic about the commitment of the SBA to full implementation of "special about the commitment of President Reagan's Administration to small business owners and potential owners, whether they be veterans or not.

VIETNAM VETERANS OF AMERICA,
Washington, D.C., January 31, 1983.

Mr. STEPHEN MOLLETT,
Director, Office of Veterans' Affairs, U.S. Small Business Administration, Washington, D.C.

DEAR STEVE: I believe that it is imperative to hold a "Task Force" meeting soon, and thereafter on a somewhat regular basis, ie. every other month, or at least once per quarter. I would further urge that some sort of "working groups" be set up to provide continuity of oversight in the various functional areas of SBA. The partnership that is beginning at the District level with the VBRC's must be matched with a similar effort at the national level. Good communication and concerted effort depend in no small art on regular substantive meetings and frank discussions.

Second, please advise as to who will have direct responsibility for descriptive brochures aimed at veterans, as well as who will have responsibility for preparing the updated Veterans Affairs Officers Handbook. It would be a good idea to solicit substantive critiques before the fact on all such material as to substance, design, timing, and dissemination. If the VSOs are to be partners with the SBA in this process, we must be in a position to contribute, rather than always being in the position of reacting to things after the fact. That is part of constructing a trust level that is so necessary for 93-237 to be effectively implemented. It also just makes good business sense.

Third, VVA recommends that the priorities for effective use of the approximately $3,000,000 slated slated to go to veterans advocacy be employed in the following areas:

(a) Training of VAOs and District Directors (and perhaps other key people) in the requirements of 93-237 and the process necessary on all sides to make it work. We suggest this take the form of three day sessions, on a regional basis, with participation by VSOs and others outside the agency who may prove useful in this process.

(b) "Seed" money of $1,000 to $2,000 for the VBRCs at each of the 100 District Offices. This is enough to give them some latitude and working capital, but not so much as to discourage them from ferreting out resources from the community, especially pro bono and in-kind donations of goods and services.

(c) A series of brochurces, PSAs, and audio and visual training and promotional materials that are coordinated as to both design concepts and informational themes.

(d) A special "merit" increase/bonus to be over and above other normal increases, to be conferred on VAOs and/or other SBA personnel who have put forward outstanding and extraordinary effort on behalf of veterans. (You do not have much of a 'stick', so you better get some carrots, which is a better way to do business, anyhow.)

(e) A special grants fund to be used to fund new and/or pilot programs submitted by proposal from VBRCs (Suggest that these, where possible, be matched by resources garnered at the local level from sources outside SBA).

(f) A good sized travel budget to enable you to visit as many sites as necessary and/or to borrow folks who have particular expertise (ie. Jim Roberson) and send them in to other District offices to lend technical assistance and galvanize people into making the VBRCs and other elements of 93-237 work. We would also suggest you use folks outside SBA, where useful and appropriate, in this technical assistance effort.

(g) A half day training/orientation course, relying heavily on A/V and printed materials, mixed with live discussion to orient all 4,500 SBA personnel to the special needs of veterans, especially Vietnam and disabled veterans, and to the requirements and spirit of 93-237, what "Special Consideration" means, as well as that it is to be taken seriously.

(h) Enough staff, both professional and clerical, in the Veterans Affairs Office at SBA to realistically approach getting the job done. (This also implies logistical, moral, and other support from the top levels of SBA.)

Fourth, please advise as to who is going to coordinate the efforts in regard to the SBDC contract modifications in order to get those five pilot programs on track. (If necessary, a small part of the $3 million could be used as "sweeteners" to make contract modifications for this fiscal year.)

Lastly, I feel that a good deal of progress has been made in the past year, particularly in the past months. We are pleased that the Veterans Affairs Office now seems to have stable office space, and secretarial assistance. There does, however, need to be more done in this direction. You folks are pretty thin on staff.

Please keep in touch.
Sincerely,

RICHARD F. WEIDMAN,
Membership Services Director.

VIETNAM VETERANS OF AMERICA,
Washington, D.C., February 3, 1983.

Mr. STEPHEN MOLLETT,
Director, Office of Veterans' Affairs, U.S. Small Business Administration, Washington, D.C.

DEAR STEVE: After some thought, it strikes me that I left a crucial area out of the suggested uses for the $3 million; namely, funding research projects on Vietnam Veteran business owners. One of the difficulties in the past has been that SBA is somewhat unclear as to whom those people in the target population actually are.

We would recommend the following as areas that merit research project funding:

Identify and describe disabled and Vietnam Veteran business owners;

Identify financing needs, management assistance and needs for present business owners;

Identify types of business, size of business, number of employees;

For business owners, determine education and background, as well as nature of military experience to determine contribution to becoming a business owner.

Please consider this to be an addendum to my letter to you of January 31.

Sincerely,

RICHARD F. WEIDMAN,
Membership Services Director.

PREPARED STATEMENT OF HON. BILL RICHARDSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW MEXICO

Mr. Chairman, thank you for having these very important hearings this morning. My district, being composed of small towns in comparison to many other congressional districts in the country, has a special need for programs such as the one discussed here today. I am certain the members of this subcommittee are aware of the tremendous sacrifices New Mexico has made in terms of its contribution to the Armed Services, both in times of peace and in times of war. I see a good opportunity for my constituents to benefit now from a program which should have been implemented long ago.

The SBA has had a remarkable impact on many of the towns and villages in my district. Over the years, its relatively small group of personnel has managed to assist many of our small businessmen. I am pleased to see this group ready to focus some of its attention on our veterans.

I must underscore the need for accountability, however. It has been over nine years since this idea of special assistance for veterans first gained acceptance in Congress. Since then, the idea has been studied and restudied. My constituents who may wish to take advantage of this program will need their memories refreshed, and will need to be educated about the availability of assistance through the SBA. It is certainly my desire that field personnel in my district are brought up to speed on this matter as soon as possible.

I too am concerned that the Small Business Administration is now placed in a position of having to administer yet another program while at the same time experiencing a loss of personnel. It is my hope that the number of people who will work with veterans is an accurate reflection of SBA's commitment to establishment of the program in a manner which will guarantee its success. In this connection, there is no doubt in my mind that the veteran's organizations will do everything in their power to assist the Small Business Administration.

I am aware of no greater cause for discouragement of my constituents than that of Government unresponsiveness. I hope that when veterans in my district travel to the local office of the SBA, that the personnel in those offices will be ready, able and willing to address the needs of the enterprising veteran in a positive manner which will be a benefit to the veteran and the community in which the veteran chooses to conduct business.

May 2, 1983.

Mr. Robert Sniffen,
Executive Vice Chairman, Vietnam Veterans Foundation,
Washington, D.C.

Dear Mr. Sniffen: Thank you for your letter of April 21st outlining the support of your organization for H.R. 2355, the Veterans Emergency Vietnam Veterans Jobs Training Act of 1983.

I am having your letters made a part of the hearing record, so that the members of the Subcommittee will have the benefit of your recommendations.

Sincerely,

Marvin Leath,
Chairman, Subcommittee on Education, Training and Employment.

Vietnam Veterans Foundation,
April 21, 1983.

Congressman Marvin Leath,
Chairman, Subcommittee on Education, Training and Employment,
House Committee on Veterans' Affairs, Washington, D.C.

Dear Congressman Leath: I am writing you to offer my personal support and the endorsement of the Vietnam Veterans Foundation for HR 2355.

Your bill is both timely and necessary. As you know, the unemployment rates for Vietnam veterans has never been higher and supercedes rates faced by non-veterans in all age groups. For example, the unemployment rates for Vietnam veterans aged 25 to 29 jumped from 13.9 percent in January 1982 to 21.8 percent in January 1983. Non veterans in the same age group suffered only a 2.7 increase during the same period going from 11.0 percent to 13.7 percent.

These dramatic figures are justification enough for the in depth well thought out effort of HR 2355.

Further, as a person who has worked for both the Veterans Administration and the Department of Labor's "employment" programs, I fully support the concept of placing all employment training and placement activities for veterans under the V.A. as called for in HR 2355.

The Department of Labor, in my judgment, has failed and continues to fail in veteran training-employment effort mandated by Congress. I can think of no better time than the present to finally place the responsibilities for veteran employment programs with V.A. rather than labor.

I am prepared to document in detail all the reasons I believe such action is necessary if you feel it would be helpful to the passage of your jobs training-job placement legislation. Meanwhile, please be assured of the Foundation's support for your concept and efforts on behalf of unemployed Vietnam veterans.

With best wishes.

Sincerely,

Robert Sniffen, *Executive Vice Chairman.*

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